Oil revenue drops, Arabs fear further fall

ABU DHABI, Nov 15 : A planned additional tax by the West on oil imports would harm development in the Arab world, which depends heavily on crude exports, an Arab official warned Thursday, reports AFP.

Osama al-Faqih, Chairman of the Abu Dhabi-based Arab Monetary Fund (AMF), said Arab oil revenues had already been halved in the past decade because of a decline in crude production and prices.

"Some industrial countries in tend to impose a special tax on oil imports, called the Carbon Tax, on the grounds of fighting pollution," he said in a lecture at the AMF.

"If this happens, it will have adverse effects on oil demand and consequently on development in the Arab region."

He said industrial nations already levied a tariff of double the price of a barrel of oil but did not impose similar taxes on "more dangerous sources like coal and nuclear energy."

"What the industrial countries are getting from their taxes on oil imports is double the oil earnings of producing states," he said.

Most of the Arab world's oil production comes from the Gulf, which sits on more than half the world's crude reserves of 1,023 billion barrels.

Declining oil prices hurt not only Arab oil producers but also other Arab nations, which depend largely on aid and remittances from the Gulf, he said.

According to Faqih, Arab oil revenues fell to 94 billion Dollars in 1990 from a peak of 191 billion Dollars in 1980. In 1986, when oil prices sank to below 10 Dollars, revenue fell to around 45 billion Dollars, he said.

"This shows the importance of Arab efforts to work for the stability of the oil market and preserve a suitable share of it to meet their development needs," he said.

"At the same time, Arab countries should pursue attempts to reduce reliance on oil revenues through expanding other productive sectors and finding alternative income sources."

China predicts 10 pc rise in gold output of '91

BEIJING, Nov 15 : China's gold output will rise by an estimated 10 per cent in 1991 compared with last year, and more increases are expected as the government invests in developing mines the official China Daily said, reports Reuter.

It quoted an official of the state gold administration as saying total gold output in the first 10 months of 1991 was 15 per cent higher than the same period last year, and that 92.6 per cent of this year's national target had been reached.

China does not disclose actual gold production figures, which are secret. It has said annual output has risen by between 10 and 11 per cent for the past few years.

The People's Bank of China the central bank disclosed in April last year it had gold reserves of 12.67 million troy ounces.

The newspaper said a large new gold deposit found in Shandong province in eastern China would help keep gold production rising.

It quoted officials as saying the mine, in the Cang Shang district of LaiZhou city, could sustain annual gold are processing of 900 tons for at least 11 years.

It said the state would invest 105 million Yuan in developing the mine over the next few years.

Dollar ends lower

NEW YORK, Nov 15 : The Dollar closed lower after a confusing day that started with a surprise leap in US wholesale prices, reports Reuter.

The Dollar first rallied on the 0.7 per cent rise in the October Producer Price Index (PPI), but it then retraced the move and tested support. In a subsequent advance it could not regain the early peak. "I don't think it's a good number, not for the Dollar anyway, "said Bill Bertha of Mellon Bank. Economists had forecast a rise of 0.1 per cent in producer prices.

The Dollar ended at 1.6330/40 Marks and 129.83/93 Yen, compared to 1.6360/67 and 129.58/95 at the open.

John Lyman, Senior Customer Dealer at the Bank of Tokyo said bonds were hit more than FOREX market. "I think foreign exchange looked at it as more an aberration than anything else." Bonds fell on the news.

The core PPI rate, excluding food and energy, rose 0.5 per cent. Janet Norwood, Commissioner of the US Bureau of Labour Statistics, said core PPI may have been overstated by 0.1 to 0.2 pc.

SEOUL : US Secretary of State James Baker gestures during a joint ministerial press conference on November 14 at the conclusion of the. Asia-Pacific Economic Cooperation (APEC) Forum. Baker noted that the APEC ministers' statement on the Uruguay Round of global trade talks declare the conclusion of the talks to be "the most critical economic issue facing the international community." —AFP/UNB photo

Regional trade blocks challenge GATT

LONDON, Nov 15: Emerging regional economic blocks have picked up the economic challenges of recent worldwide political upheaval and are overtaking GATT talks with their rapid response to problems a leading U S academic said, reports Reuter.

New regional economic groupings should be seen as building blocks to trade rather than stumbling blocks said Robert Lawaence Trade and Investment Professor at Harvard University.

Presenting his prizewinning paper at the Amex Bank Reviews Lawrence said the General Agreement on Tariffs and Trade (GATT) and the Uriguay Round were bogged down, limited to trade and services and addressing a decade- old scenario.

Regions like Latin America had moved to organise groups with pragmatic polices aimed at international competition and lowering trade barriers to attract investment.

This revolution is real and their commitment is great," said Lawrence who is also a member of the Advisory Committee of the Institute for International Economics. Many of these countries have paid up front with liberalised trade policies.

The issue is to make this change permanent. Commitment and credibility is the essence of what the news regional block agreements are about. Countries assume obligations doing that, they provide benefits to all who trade with them he said.

This sort of internal transformation is fundamentally different from the trade liberalisation policies of the 1960s, dependent on protectionism which is why they failed.

The regional block formation of the 1990s is not a repeat of the 1930s, Lawrence noted, saying the new blocks would lead to deeper integration of world trade rather than the construction of regional fortresses.

But he emphasised that GATT was still essential to provide discipline and combat subtle protectionist measures seen in anti- dumping laws in Europe and voluntary restraint arrangements in the US.

Consumer price inflation declines in OECD states

PARIS, Nov 15: Consumer price inflation continued a slow decline in the 24 member countries of the Organization for Economic Cooperation and Development (OECD) in September showing a year on - year rise of 5.5 per cent after 5.9 per cent in August the OECD said Thursday, reports AFP.

Excluding high - inflation Turkey the September increase was 3.9 per cent.

However on a monthly basis prices were up by 0.6 per cent in September after a smaller increase of 0.4 per cent in August.

In its monthly survey, the OECD said food prices either fell or remained unchanged in more than half the OECD countries, with the overall monthly rate of increase slowing to 0.1 per cent from 0.3 per cent in August.

Measured over 12 months the increase in energy prices in the OECD areas as a whole dropped sharply for the second month running to 0.4 per cent from 3.2 per cent in August.

The OECD said the surge in oil prices triggered last year by the Gulf crisis had now dropped out of the calculation but noted that the year- on-year September price change was unusually low, reflection lower prices after the threat to oil supplies abated.

The OECD said consumer prices excluding food and energy a measure of underlying inflation in the OECD area, remained unchanged from August at 4.3 per cent, down by 9.75 percentage point compared with September 1990.

Prices for the seven major OECD countries (the Group of Seven) rose by an average of 0.3 per cent in September and were up by 3.6 per cent over 12 months.

For individual members of the group the changes were United States 0.4 pc and 3.4 pc, Japan 0.2 pc and 2.7 pc, Germany 0.2 pc and 3.9 pc, France 0.2 pc and 2.6, Italy 0.4 pc and 6.2 pc, Britain 0.4 pc and 4.1 pc, and Canada - 02.2 pc and 5.4 pc.

Greece and Turkey recorded the highest monthly price increases in the OECD area in September

China continues prison-made exports to US

BEIJING, Nov 15 : China continues to export goods made by prison inmates to the United States despite its pledge to stop, a human rights group said in a report released Friday, reports AP.

The New York-based Asia Watch urged US Secretary of State James A Baker to press for the release of Chinese political prisoners during his three-day visit to Beijing that began Friday.

Baker is under pressure to demand changes from China to resolve disputes over trade, human rights and arms control policies.

Asia Watch said Baker was expected to negotiate with the Chinese on a memorandum of understanding on prison exports.

Reports that China is exporting prison- made goods have worsened already strained US-China ties.

"It is now more important than ever that the US officials insist on access to every labour reform camp which they suspect is producing goods for export to the United States, if US law is to be enforced," the Asia Watch report said.

US law forbids the importation of goods made by prison labourers.

The report detailed the exports of four large prison enterprises in two provinces that earned China millions of US Dollars annually.

China has said repeatedly that it does not have a policy of exporting prison-labour goods and has never authorized any prison enterprise to export goods.

Bread price rises 6-fold in Moscow

MOSCOW, Nov 15: Prices of superior quality bread rose six fold in Moscow on Wednesday, but shoppers at city bakeries reacted calmly to the news, reports Reuter.

City Mayor Gavril Popov announced that three different types of bread would now cost 3.60 Roubles compared to the old price of 60 Kopecks. The simplest type of black and white bread will continue at the old price of between 50 and 60 Kopecks.

The rises are in advance measure before bread rationing cards are brought in at the end of the year to cope with growing food shortages.

Russian President Boris Yeltsin has staked his political future on a swift transition to a market economy. His radical reform programme aims to free prices by January and privatise most state enterprises.

Many Muscovites, interviewed at state bakery no 675 in central Moscow, said they approved of phasing out big subsidies on bread although it is their staple food and widely considered the last safeguard against starvation.

Pointing to the sign displayed in most bakeries which reds "bread is our wealth", 45-year-old architect Alexander Sheryov said: "They always say that but it costs a lot to make bread and it makes sense to start paying the right price for it."

US EXIM bank to guarantee 100 pc of loans for foreign sales

WASHINGTON, Nov 15 : The US government's Export-Import Bank announced on Wednesday that it will guarantee 100 per cent of principal and interest on loans made by private banks to help sell US industrial goods in other countries, reports AP.

Up to now, it guaranteed 100 per cent of principal but private lenders had to take the risk on at least half of one percentage point of interest. For example, if a loan was made at 10 per cent interest and the borrower paid only 9.5 per cent, the private bank could not get the other 0.5 per cent from the US government.

ASEAN likely to set up FTA

KUALA LUMPUR, Nov 15: The Association of South- East Asian Nations (ASEAN) is making another bid to integrate the region's economies by setting up a Free Trade Area (FTA) converting all six members, reports IPS.

Economics Ministers from Singapore, Indonesia, the Philippines, Malaysia, Thailand and Brunei have decided on a 15- year time frame on the FTA, by which time tariffs on manufactured products are to be reduced to five per cent or less.

But Economic analysts in the region are skeptical of the FTA's success, pointing to the failure of the Preferential Tariff Arrangement (PTA) to encourage trade among the ASEAN countries.

Speaking at the ASEAN Economic Minister's meeting here last month, Malaysian Prime Minister Mahathir Mohamad warned that "dismal" economic cooperation within ASEAN threatens its survival as a viable and relevant organisation. "We seem to lack the political courage needed to move ahead and implement cooperative projects that will benefit us in the long term," Mahathir said.

While the economies of all six states are export - driven, individual states' exports to their ASEAN neighbours comprise only about 10 per cent of the total external trade of each.

The blame lies in the group's economic success- four of the six are world leaders in the production of rubber, palm oil and timber and significant suppliers of petroleum, cocoa and coconuts.

Four ASEAN members-Singapore, Malaysia, Thailand and Indonesia- have successfully ventured into industrialisation and are moving into heavy and high technology industries.

All six face stiff competition from one another in tourism, another major revenue earner for the region.

This great similarity in economic make- up is why although the FTA has an impressive list of about 13,000 items for which favoured status is accorded, few of them are for the major products.

ASEAN was created 14 years ago essentially to bind the nations collectively against the threat of communism. The Vietnam war was then proceeding at full steam and all six states were facing communist guerrilla insurgencies.

The Association has largely been political in nature but their strong individual economic performance has given the impression that it is also a sturdy economic bloc. This image is becoming tattered.

At this week's meeting of their economic ministers in the Malaysian capital, five of the six nations were rooting for their own vision of what is good for the group.

The divergence caused the ministers to deliberate late into the evening of their final session and in the end decided to adopt a watered- down version of all five plans.

Besides the FTA proposed by Thailand, there was the East Asia Economic Group (EAEC) proposed by Malaysia as a way of mustering the ASEAN states and the newly industrialising economices of South Korea, Taiwan and Hong Kong to form a formidable bloc against the US pioneered North American Free Trade Arrangement (NAFTA) and the single Europe market.

But the proposal has run in to opposition from within ASEAN itself, with majority not being in the mood to adopt a confrontational position against their main Western trading partners.

The result is the strangulated East Asian Economic Caucus (EAEC) which has no organisational structure nor even a schedule of meetings.

Singapore has been pushing for "growth triangles" within ASEAN, the creation of cross-border industrial and economic zones that jointly exploit the assets of members states. But ASEAN countries are loath to turn these trilateral arrangements into full-blown regional projects.

A Philippine proposal for an ASEAN treaty of economic cooperation designed to model ASEAN along the lines of the European Community was also rejected.

But it is not all bleak news for ASEAN on the economic front. The group has been successful in speaking out with one voice on major international trade and economic issues.

It presented a joint stand at the Uruguay round of multilateral talks on improving world trade rules and its has jointly worked out trade benefits with the European Community, Japan and other major trading partners.

Arraignment of BCCI postponed

NEW YORK, Nov 15: The arraignment of BCCI on theft, fraud and money laundering charges was postponed on Thursday after court-appointed liquidators and state prosecutors agreed to continue talks aimed at avoiding a stiff fine against the bank, reports Reuter.

"We have been in discussions with the district attorney's office regarding a disposition of the criminal case and we intend to continue discussions over the next couple of weeks," said Kenneth Caruso, a New York lawyer representing liquidators from Britain, Luxembourg and the Cayman Islands.

The arraignments was delayed until November 27.

Caruso said that progress had been made at the talks but he would give no specifics.

The arraignments of Luxembourg-based Bank of Credit and Commerce International (BCCI) has been delayed several times as no lawyers have appeared to enter a plea on behalf of the bank.

New York law provides that a corporation can be forced into a guilty plea even if it does not have a lawyer in court.

Due to this, a judge could hit BCCI with a fine of as much as 40 billion Dollars, representing twice the defendant's illegal gains.

BCCI's operations were seized by regulators in the United States and more than 70 other countries in July amid accusations of widespread corruption. The bank has been accused of dealings with terrorists, drug dealers and organised crime.

The liquidators are trying to discourage prosecutors from seeking a massive fine that would diminish assets to be divided among victims.

"Any fines imposed on BCCI would come out of the pockets of depositors who've already been hurt," Caruso said. Imposing of a big fine would be a "cruel twist of the knife," he said.

BCCI, its founder Agha Hassan Abedi and the bank's former Chief Operating Officer, Swaleh Naqvi, were indicted in July on state charges of fraud, theft and money laundering.

Abedi and Naqvi are fugitives, and under New York state law, individuals cannot be forced into a plea if they are absent.

After BCCI was shut down in July, overseas courts began appointing liquidators to try and protect the bank's assets in the United States and to make sure the remaining money is divided equitably.

Lebanese ship sinks in Bosphorous Strait

ANKARA, Nov 15 : Rescuers were searching the Bosphorous Strait on Thursday night after a Lebanese ship carrying livestock sank following a collision with a Philippine- flagged vessel, reports Reuter.

Turkey's semi-official Anatolian news agency reported the collision between the 3,286-ton Rabunion-18 and the 64,747 ton Philippine-flagged Madonna Lily, happened under the faith was no world on casualties. The crew of the Madonna Lily was said to be helping in the rescue operations.

Soviet Union on brink of bankruptcy

MOSCOW, Nov 15: The Soviet Union is running out of hard currency and its failure to repay foreign debt will lead to bankruptcy and zero imports, according to an authoritative economic report published on Thursday, reports Reuter.

The report, carried by the Daily Nezavisimaya Gazeta, said the country was five billion Dollars short of the seven billion Dollars required to meet foreign debt servicing obligations in November and December.

It warned of the dangers of defaulting on the debt, which totals 68 billion Dollars.

"If this happens, the country would be declared insolvent. We would not receive any credits, not for food or investment," the report by the Moscow-based Centre for Economic and Political Research was quoted as saying.

"That means it would be necessary to reduce imports to zero," said the think tank, which is headed by Kremlin Chief Economist Grigory Yavlinsky.

Vneshekonombank, the Soviet Bank for Foreign Economic Affairs, said this month it was confident funds to honour debt obligations would be found to supplement the two billion Dollars which Yavlinsky's group said was held in a special hard currency reserve.

Nezavisimaya Gazeta published the report three days before a visit to Moscow by Deputy Fiance Ministers of the Group of Seven (G-7) leading industrialised nations.

The newspaper said the G-7 the United States, Germany, Japan, France, Britain, Italy and Canada — had decided to restructure the Soviet Union's foreign debt and grant new credits to avert catastrophe.

It said the group was expected to seek an agreement from republics on recognising the authority of Gosbank and Vneshekonombank in handling new credits.

US Treasury Under Scretary David Mulford said this week that no new agreement on Soviet aid measures had been reached.

Explaining the Soviet liquidity crisis, Yavlinsky's think tank said there had been a unprecedented flow of deposits out of Vneshekonombank accounts in the accounts of Vneshekonombank," it said, adding that in 1990 along, hard currency reserves in Vneshekonombank fell by almost 10 billion Dollars.

The report said oil exports in 1991 of 50 million tonnes were about half the previous year's levels, and a fall in oil production of 10 to 15 per cent had bot been accompanied by a decline in domestic consumption.

$ 402 m ADB loan for India, Indonesia

MANILA, Nov 15 : The Asian Development Bank (ADB) said it had approved two loans totalling 402 million Dollars for an oil project in India and a plantation project in Indonesia, reports Reuter.

The Manila-based bank approved a 267 million Dollars loan for India's Gandhar Field Development Project. It has a repayment period of 20 years, including a four- year grace.

A 135 million Dollars loan for Indonesia's tree crop sector project will have a term of 25 years and seven- year grace, it said.

Yeltsin's envoy to visit Tokyo to discuss aid

TOKYO, Nov 15: Russian leader Boris Yeltsin will send an envoy to Tokyo next week to discuss economic aid and a long-standing territorial dispute, Japanese Foreign Ministry officials said Thursday, reports Reuter.

Vladimir Lukin, head of the Russian Parliament's international affairs and foreign aid committee, will arrive in Japan on Sunday for four days of talks, the officials said.

Lukin is expected to meet Prime Minister Kiichi Miyazwa as well as the ministers in charge of foreign affairs and trade.

He will also discuss Japan's recent offer of 2.5 billion Dollars in emergency aid for the Soviet Union and a dispute over a cluster of north Pacific islands, claimed by Tokyo but controlled by the Russian Federation.

"Although it's not on the official agenda, we expect that a visit to Japan by Yeltsin and the island's dispute will come in the talks next week," another official said.

Russian President Yeltsin is likely to visit Japan in the next six months and expectations are growing of progress on the territorial dispute, he said.

Japan has refused to sign a peace treaty with the Soviet Union formally ending World War Two hostilities until it returns all four islands off the northern Japanese island of Kokkaido.

The government favours closer ties with the Russian Federation in the hopes of making progress on the dispute which dates back to the closing days of the War in 1945.

N Korea in near famine condition

SEOUL, Nov 15: North Korea's food shortages are reaching crisis proportions and some areas of the country are near famine, a South Korean news report said Thursday, reports AP.

North Koreans can obtain only one to three days food with ration tickets that are meant to stretch for 15 days, the national news agency Yonhap said in a story out of Beijing. The report comes as the international community is increasing pressure on the Communist state to open its nuclear facilities to international inspection.

Independent confirmation of the report was impossible, but the information was consistent with recent reports from diplomats and intelligence sources.

The report quoted unidentified Western visitors who had recently returned from North Korea's capital of Pyongyang to Beijing, the stopping off place for travellers to North Korea.

The report said desperate North, Koreans have been breaking into state-run food warehouses with increasing frequency.

"The North Korean economy is on the verge of collapse," one Westerner said." It is in its worse ever food crisis."

The Westerners said one North Korean family of four fled to the Chinese border city of tumen seeking food earlier this year and they killed themselves when Chines authorities ordered them to return home.

The Korean peninsula was divided in 1945 into the Communist North and pro-West South and the border between them remains tightly sealed. North Korea is the most isolated of the remaining Communist nations, which include China, Vietnam and Cuba.

FDA plans speedy drug approval process

WASHINGTON, Nov 15: The Food and Drug Administration plans to implement the most sweeping changes in 30 years to speed the process for approving new drugs, a source at the Department of Health and Human Services said Friday, reports AP.

The plans, to be announced Monday, include an accelerated approval process for drugs to treat life-threatening illnesses and use of private contractors to review applications for some kinds of new drugs, said the source, who spoke only on condition that he not be identified.

The plans were reported in Friday's editions of The Washington Post and the Los Angeles Times.

The FDA is also working on "harmonizing" its drug approval process with that of other industrialized nations, the source said.

The purpose would be to identify other countries that the FDA believes have adequate drug review procedures, and to allow their decisions to stand here.

The steps are intended to free FDA staffers to concentrate on the most important new therapies.

Kuwait claims ability to preserve foreign investments : economists doubtful

KUWAIT, Nov 15 : Kuwaiti officials and bankers insist the super-rich emirate will be able to preserve the bulk of its massive foreign investments despite reconstruction costs and war bills, reports Reuter.

Independent Kuwaiti economists and some Western analysts resident in the emirate are not so sure. The question is also crucial for Kuwait's "fund for future generations" built up by decades of judicious investment of surplus oil revenues.

Companies like Daimler-Benz AG and British Petroleum (BP) could see their shares affected by a sell-off of major Kuwaiti stakes.

In the eight months since the end of the Iraqi invasion, the emirate is estimated to have spent some 35 billion Dollars on reconstruction, repayment of war costs and other government expenditure.

Kuwait has mainly covered its costs with about 25 billion Dollars of liquid asset — such as bank deposits, bonds and equities held in trading portfolios — Gulf bankers say.

Income from overseas investments provided about five billion Dollars. Kuwait borrowed another five billion Dollars on international markets, having no difficulty raising the cash. It may borrow more next year.

"In the first quarter of next year the picture could become clear. We will know what our future needs are — how much we need to borrow — and if we need to borrow," Abdallah Al-Gabandi, Managing Director of the Kuwait Investment Company said.

Foreign bankers and economists are impressed by the speed with which Kuwait has dealt with the effects of the invasion.

But some Kuwaiti and Western economists doubt the emirate's ability to keep its investments intact if it maintains spending on current high-profile projects.

They call for and austerity programme limited to essential reconstruction.

"The future is not rosy," said economist Saadoun Al-Jassem, adding that at current spending plans, "within three years, Kuwait would have withdrawn all its foreign assets or borrowed against them."

A Western economist based in Kuwait said estimated the bill for the Gulf War at a little less than 100 billion Dollars.

He estimated Kuwait will have to draw 75 billion Dollars by the end of 1993, wiping out the bulk of its foreign investments.

Kuwaiti economists put the pre-invasion value of those investments at about 80 billion Dollars, about 20 billion less than foreign economists had estimated.

Kuwait has already paid the United States and other allies almost 22 billion Dollars for ending the Iraqi occupation.

A further two billion Dollars were paid for capping the 732 oil wells set ablaze during the war.

Kuwait's rulers, facing a traumatised and politically disgruntled population after eight months of Iraqi rule, have been showering them with cash.

This has included consumer handouts, back-pay and bail-out plans for the troubles banks. Reconstruction costs are put at 20-30 billion Dollars.

Gabandi last week dismissed speculation that Kuwait planned to sell some of its blue-chip assets such as the 14 per cent stake in Daimler and nine per cent in BP to finance the reconstruction.

He said the focus of its spending now was to rebuild infrastructure especially in the oil industry.

Kuwait's borrowing needs would depend more on the level of its oil production, now standing at some 325,000 Barrels Per Day (BPD). But expected to reach 400,000 by the end of the year. This is in addition to some 140,000 BPD coming from joint Saudi fields.

Officials say production was not expected to approach the pre-invasion levels of just under two million BPD until 1993.