

Drastic aid cut to USSR

LONDON, Aug 20: Western leaders condemned the overthrow of Soviet President Mikhail Gorbachev and began cutting aid as NATO officials met in emergency session, reports AP.

The United States and Britain Monday suspended aid programmes to the Soviets and the foreign ministers of the 12 EC countries were meeting Tuesday in the Hague to discuss their reaction.

A Dutch foreign ministry spokesman speaking on condition of anonymity said the possible suspension of hundreds of millions of dollars in EC aid was on the agenda.

In June, the EC began sending emergency food aid worth 322 million dollars to the Soviets. The EC also was considering a further aid package worth 452 million dollars before Gorbachev's overthrow.

West German Chancellor Helmut Kohl said Monday that Western aid to the Soviet Union would depend on the uninterrupted pursuit of Gorbachev's domestic and foreign policies.

Reuters report from Tokyo said: Japanese economic aid to the Soviet Union depends on Moscow continuing reforms initiated by Mikhail Gorbachev, the Soviet President overthrown by hardliners on Monday, Foreign Minister Taro Nakayama said on Tuesday.

US President George Bush has threatened to cut off US aid to the Soviet Union unless Gorbachev is reinstated, while British Prime Minister John Major has called on European Community states jointly to freeze aid to Moscow.

Japanese Prime Minister Toshiki Kaifu, who like Nakayama addressed a lower house budget committee meeting, said his government was alarmed at the development in the Soviet Union and would soon decide on a firm course of action. Although Japan has

refused to extend large-scale aid until Moscow returns four Pacific Islands its troops seized in 1945, it promised Gorbachev it would extend technical aid in 15 fields such as transportation and nuclear plant operation.

Japan had also been preparing to offer the Soviet Union a private bank loan of 350 million dollars to help it repay its trade debts.

AFP adds: Japan's Finance Minister Ryutaro Hashimoto indicated that Soviet President Mikhail Gorbachev's replacement Monday by hard-line Vice President Gennady Yanayev could imperil pledges of aid to the Soviet Union made it at least month's G-7 summit in London.

A report from London adds: Britain will suspend its 50 million Pound 83 million Dollars technical know-how fund to assist Soviet economic reform, Foreign Secretary Douglas Hurd said here Monday.

Hurd who was speaking after a meeting with Soviet Ambassador Leonid Zamyatin, said he also believed the European Community should suspend its technical assistance programme, following the ouster of President Mikhail Gorbachev.

Another report from Canberra says: The Australian government has suspended a 500 million Australian Dollar (\$88 million US Dollar) line of credit to the Soviet Union following the ouster of Mikhail Gorbachev, officials said today.

A spokesman for foreign minister Gareth Evans said that while most of the funds have already been taken up by the Soviet Union the outstanding amount was "under review."

AFP further says from Seoul: A giant South Korean conglomerate will freeze some of its activities in the Soviet Union, officials here said as the ouster of Soviet President

Mikhail Gorbachev began to affect bilateral economic ties. Hyundai, which has been at the forefront of expanding ties with the Soviet Union, has decided to suspend 10 projects it had planned in the Soviet Union, a company spokesman said.

Hyundai group Chairman Chung Ju-Young will also postpone a planned visit to the Soviet Union this week to meet with officials of the Soviet Chamber of Commerce and Industry, he said.

Reuters from Brussels says: The European Community might freeze its aid to the Soviet Union if the new hard-line Kremlin leadership did not respect human rights and the moves towards democracy, European Commissioner said on Monday.

If the conditions are not met, it can be feared that this (aid) programme will not be executed, Van Miert told Belgian Radio.



TOKYO: Floor dealers signal orders with their hands during the afternoon trading session August 19 at the Tokyo Stock Exchange. Japanese share prices closed sharply lower with the Nikkei Stock Average plunging 1,357.81 Yen to settle at 21,456.76 Yen following news that Soviet President Mikhail Gorbachev had been replaced. — AFP/UNB photo

G-7 to help stabilise currency market

TOKYO, Aug 20: The Group of Seven (G-7) industrialised nations are ready to step in and take joint action if necessary to help stabilise currency markets, including for the German Mark, a senior Bank of Japan (BOJ) official told Reuters on Monday.

A series of Tass reports that Soviet President Mikhail Gorbachev had been replaced by Vice President Gennady Yanayev threw Asian currency markets into a state of confusion, triggering panic buying of the Dollar against the Mark.

The German currency had been vulnerable to upheavals in the Soviet Union.

The official said that the BOJ was prepared to intervene whenever necessary in the foreign exchange market to stabilise the Yen against the Dollar, he added that the Dollar's rise against the Yen was unlikely to go unchecked.

Reuters said that the German central bank sold Dollars in early afternoon pushed the US currency lower in Singapore dealers there said.

An earlier report from London added: European central banks intervened to try to cap the surging Dollar on Monday after the US currency rose sharply in value on news that Mikhail Gorbachev had been replaced as Soviet President by hardliners.

Currency dealers said Germany's Bundesbank led the intervention when the Dollar was trading at about 1.81 Marks, a rise of almost six fennigs from its European close on Friday.

A Bundesbank spokeswoman confirmed the Bundesbank had sold Dollars, Belgium, France, Switzerland, Norway, Denmark, Greece and Sweden also joined in the concerted attack on the US currency.

AFP reports from Tokyo: The Bank of Japan sold Dollars and bought German Marks on the London Foreign Exchange Market today, market sources said here.

The Japanese central bank's action was taken in line with a Group of Seven (G-7) agreement.

The sources however did not disclose the amount of the Bank of Japan's intervention in the London market.

Corazon aide pleads for access to US markets

MANILA, Aug 20: The United States should open its market to Philippine goods in exchange for a treaty to extend the leases on a US base, a former aide to President Corazon Aquino said today, reports AFP.

"If the US really wants to move forward, such a proposal can break the present impasse in the progress of the bases agreement," former Trade Secretary Jose Concepcion said in a statement.

He urged Washington to "demonstrate its commitment to increase trade by providing for zero-duty entry of Philippine products to the US market for the life of the bases agreement."

A large majority of Filipino Senators currently oppose the draft agreement granting US forces continued access to Subic naval base for 10 more years. Aquino government hopes to submit it to the legislature sometime this month for ratification.

The proposed treaty provides for 203 million Dollar in annual economic and military aid to Manila. Sources close to the talks say Washington is against including specific provisions on trade in the draft agreement.

Free trade in SAARC urged

NEW DELHI, Aug 20: India and Maldives agreed that there should be more free trade and commerce among the SAARC countries, reports PTI.

This was agreed during the half-an-hour talks between President Venkataraman and the visiting President of Maldives, Maumoon Abdul Gayoom, according to Rashtrapati Bhavan sources.

They said during the talks bilateral issues and cooperation among the SAARC (South Asian Association for Regional Cooperation) countries were discussed.

Earlier, Gayoom accompanied by his wife Nasreena MA Gayoom called on Venkataraman and thanked him for extending an invitation to him to visit India. He also thanked the President for prompt assistance given by India for relief operations after the recent sea-storm in Maldives.

European markets plummet

NEW YORK, Aug 20: Wall Street and other worldwide markets reacted with alarm Monday to the ouster of Soviet President Mikhail S. Gorbachev by hard-line conservatives, reports AP.

Stocks plunged while the US Dollar, gold and oil prices surged amid fears that the change in Soviet leadership could lead to civil unrest.

On Wall Street, the Dow Jones industrial average slumped 50 points in early trading to the 2,918 level. Trading was delayed in many stocks because of order imbalances.

"We expect the Dow to go down at least 50 to 70 points, maybe more. To a large extent it will be panicky liquidation," said Hildegard Zagorski, a vice president at Prudential Securities Inc.

US Treasuries, meanwhile, jumped in price while interest

rates tumbled in early New York trading. The Bellwether 30-year issue, for instance, was up around Dirs 6.25 per Dira 1,000 face amount while its yield dropped to 8.03 per cent from 8.08 per cent late Friday.

Among the hardest hit was Germany because of its closeness to the Soviet Union. The DAX stock index closed down 155.40 points to 1,497.93.

The Milan Bourse, Italy's largest stock exchange, suspended trading in shares of major companies to stem the slide in stock prices. Many shares had been down between 6 — and 10 per cent in value.

In France, trading was suspended in several shares after they fell the full 10 per cent limit in early going. Those suspended include the insurance company Axa and tire-maker Michelin.

AFP adds from London: The

ousting of Soviet President Mikhail Gorbachev sent the stock exchange into "free-fall". Wiping more than 15 billion pounds from share values and more than 100 points from the Financial Times — Stock Exchange (FT-SE) 100 index in London Monday.

Despite a statement from British Prime Minister John Major that there was no reason for the markets to panic. Traders warned that the market could go on falling, particularly if Wall Street opened sharply lower in the afternoon.

With heavy selling swelling trading volumes, losses were recorded across all sectors but oil stocks proved more resilient thanks to the surge in the price of crude. The worldwide nature of the slump in equity values exaggerated the losses of international stocks.

Asian stocks rebound

TOKYO, Aug 20: Stock markets in Tokyo and most other Asian countries bounced back modestly Tuesday, a day after news that conservatives had ousted Soviet President Mikhail Gorbachev sent markets tumbling around the world, reports AP.

The Tokyo Stock Exchange ended a volatile session higher, while the US Dollar took a sharp dive against the Japanese Yen.

"Calm has been restored.... We don't know what is going on in the Soviet Union, but it doesn't look as disastrous" as initially feared, said Andrew Balling, chief strategist at Barclay's de Zoete Wedd (Japan).

Traders said foreign investors led the bargain hunting the twice overcame selling pressure to add more than 300 points to the closely-watched 225-issue Nikkei Stock Average. Active arbitrage buying also boosted the index.

Asian stocks rebound

In the morning, market participants were relieved by firmer Yen and bonds and a relatively small, 69.99-point decline on the Dow Jones industrial Average to 2,898.03 overnight, compared with a more than 10 per cent plunge on the German Stock Exchange in response to the Gorbachev news.

The market's main barometer climbed steadily by over 300 points in the first half-hour, but quickly sank back 100 points. It fell back to as low as 60 points below Monday's close before rising more than 300 points again when the Yen firmed as traders unloaded overbought positions in the Dollar, driving the US currency downward.

The stock average closed at 21,687.06 points, 230.30 points or 1.07 per cent above Monday's close of 21,456.76.

Asian stocks rebound

On Monday, the Nikkei plunged 1,300 points in reaction to Soviet developments.

Volume on the exchange's first section was moderate at 330 million shares, down from 360 million shares Monday.

Stock prices also gained ground in Seoul, Kuala Lumpur, and Hong Kong. But dealers in both equities and currencies said investors have already begun to look beyond the Soviet crisis to possible interest rate relief in Japan and the United States, where the Federal Reserve's interest policy-making body on interest rates was to meet later Tuesday.

Hong Kong, Malaysia, Singapore and Sydney stock markets were higher. But stock markets in the Philippines, Taiwan and South Korea fell.

Australian defence spending up

SYDNEY, Aug 20: The Australian government has boosted defence spending by 4.1 per cent to 9.435 billion (7.33 billion US) in its 1992 budget, it was announced Tuesday, reports AFP.

But, Defence Minister Robert Ray said, the 369 million Dollar (286 million US) increase represented zero per cent growth in real terms.

The extra money will be spent on new armoured fighting vehicles, radios, and a better supply system, Ray said in a statement.

Defence will take 9.3 per cent of total government outlays under the budget announced by Treasurer John Kerin. This is 2.4 per cent of Gross Domestic Product, and a fall from last year's 9.5 per cent of outlays, Ray said.

Australia will spend 74 million Dollars (57.45 million US) on defence cooperation with its regional neighbours, down from last year's million (67.55 million US) mainly due to the completion of projects in Papua New Guinea, Ray said.

BERD to issue Eurobond

TOKYO, Aug 20: The European Bank for Reconstruction and Development (BERD) is planning to issue Eurobonds and the Yen denominated Samurai bonds possibly this fall, the Nigon Keizai Shimbun said Monday, reports AFP.

The offering will be its first fund-raising move since the BERD, set up to foster market reforms in eastern Europe began work in April, the leading Tokyo Financial Daily said.

The International Bank is expected to issue Eurobonds worth 300 million European Currency Units (ECUs) on the European markets and Samurai bonds worth 15 billion Yen (109 million Dollars) in Tokyo it said.

The funds will be earmarked for Poland, Czechoslovakia and Hungary.

US gov't bans Salomon Bros

WASHINGTON, Aug 20: The government Sunday suspended Salomon Brothers from bidding for government securities amid allegations of wrongdoing by the firm while in New York three top executives of the powerful investment bank resigned to take responsibility for the scandal, reports AFP.

The treasury department said in a statement it had "withdrawn Salomon Brothers right to participate directly in further treasury auctions until appropriate steps are taken to address irregularities and pending the results of on going investigations.

Oil prices rise sharply

NEW YORK, Aug 20: Oil prices surged here on news that Mikhail Gorbachev had been ousted, amid fears that production could be interrupted in the Soviet Union, the world's number one crude oil exporter, reports AFP.

The benchmark light sweet crude oil for September delivery closed more than one dollar higher in New York, at 22.47 dollars per barrel.

The oil price gains were driven by concerns about a possible drastic reduction in Soviet crude oil exports, at a time when the Organisation of Petroleum Exporting Countries (OPEC) would not be able to pick up the slack.

The OPEC countries already are pumping crude at near their maximum output levels, prompted by shortages following the Gulf crisis.

"The reaction of the oil market is not unrealistic — in fact, it is a very modest reaction so far," said Joh Lichtblau,

President of New York's Petroleum Industry Research Foundation.

But "with the Iraq and Kuwait situation being what it is, you cannot make up for any substantial loss of Soviet exports," Lichtblau said.

The Soviet Union currently exports 2.3 million to 2.5 million barrel of crude oil per day, compared to nearly four million barrels per day five years ago, Lichtblau said — almost one eighth of the daily consumption by the United States.

Reuters from London adds: Panic buying boosted crude oil prices on Monday to their highest level since the Gulf war after Soviet President Mikhail Gorbachev was replaced by hardliners.

International benchmark Brent blend reached 22.20 Dollars a barrel for the October

Oil prices rise sharply

futures contract in late morning, 2.72 Dollars up from Friday's close on the International Petroleum Exchange before drifting off slightly.

Everyone is panicking it's all trading off unknown quantities and fear, OEN Oil Futures Broker said.

The Soviet Union ships most of its crude oil exports into the Mediterranean from the Black Sea.

It is still the biggest oil producer in the world but output has fallen sharply from the 1988 peak of 630 million tonnes to 570 million tonnes in 1990. Output in 1991 is already 10 per cent down from last year.

The market has been starved of Soviet crude oil for much of this year as problems have beset the Soviet oil industry.

German Finance Minister opposes VAT over 15 pc

BONN, Aug 20: German Finance Minister Theo Waigel said that the countries Value Added Tax (VAT) rate should not go above 15 per cent on January 1, 1993, in an interview with Die Welt newspaper published Monday, reports AFP.

The present VAT rate is 14 per cent and Waigel noted in the interview that the coalition cabinet agreed on July 10 that the rate should be increased on January 1, 1993, to 15 per cent.

His remarks contrast with those of cabinet colleague and Economics Minister Juergen Moellemann who told Deutschlandfunk Radio Sunday that the VAT could be raised to 16 per cent if the country's budget deficit was not brought under control.

Waigel is a member of the ultra-conservative Christian Social Union (CSU), the sister party of Chancellor Helmut Kohl's CDU, and Moellemann

is from the Liberal Free Democratic Party (FDP).

The Finance Minister said that in 1992 budget deficit would be brought to under 50 billion German Marks (28 billion Dollars) and reduced to under 30 billion Marks (17 billion Dollars) by 1995.

It is an ambitious objective that will only be reached if one renounces all extra spending said Waigel, adding that it would also satisfy the Economic Minister's demands.

British GDP falls

LONDON, Aug 20: Britain's Gross Domestic Product (GDP) fell by 0.9 per cent in the second quarter from the first three months of the year, official figures revealed Monday, reports AFP.

Analysts had expected a fall of 0.8 per cent.

Burmese junta denies links with BCCI

RANGOON, Aug 20: The Burmese military junta denied Monday claims it had laundered money through the scandal-ridden Bank of Credit and Commerce International (BCCI), reports AFP.

The country's Finance Minister, Brigadier General David Abel, said any business the junta had with BCCI was strictly normal banking deals.

Other than conducting normal banking transactions there has been no other linkage such as money laundering, Abel said at a special press conference.

The press conference was called after international newspaper reports last month that Burma's drug barons may have used the BCCI to launder their fortunes.

Some members of the Burmese military government have been long suspected by several drug agencies,

Arab League to map out new strategy on banking

ABU DHABI, Aug 20: Bankers, Ministers and economic experts from the 21-member Arab League will meet in Rome later this year for the first time since the end of the Gulf War to map out a new strategy after their funds were seriously hit by the conflict, reports AFP.

The Gulf War has led, among other things, to large direct expenditures and to larger reconstruction costs and other indirect losses incurred by Arab economies, said Adnan Al-Hindi, Secretary General of the Beirut-based Arab Banking Union (ABU).

Banks, the first to be affected, suffered severe losses in foreign assets, freezing of their credit lines and a retreat in the quality of their guarantees, he said in a statement.

Thus the need was immediately felt for a strategy which would take all of these changes into account and contain their impact on cash and credit, provisions and reserves, resources and savings and the patterns and conditions of banking loans.

The Gulf crisis occurred as the ABU's nearly 300 banks sought to bolster cooperation

to face growing foreign competition and what Arab bankers have termed the challenges of the 1992 merger of the European Community (EC) markets.

At a recent lecture here, Hindi, urged mergers among Arab banks to create larger units capable of meeting the EC threat.

Mergers should include not only banks within each Arab state but should be across the border, he said. Arab banks abroad should also embark on mergers if they want to face challenges.

In his statement, Hindi did

not elaborate on the losses of Arab bank assets of 370 billion Dollars, almost equivalent to the Arab Gross National Product (GNP).

Nor did he mention the exact cause of the losses but Saudi Arabia, Kuwait and other Gulf States have paid more than 50 billion Dollars to finance the allied war effort against Iraq.

In the wake of the recent grave events engulfing the Arab world, every banking official must be preoccupied with the features of the forthcoming stage and with the best ways to transcend its vicissitudes, he

said. He said Arab banks were facing what he called an uphill fight which requires reconsideration of past experiences, full comprehension of current events and development of new behavior rules to deal with the future.

The November 18-20 conference will be opened by Italy's Central Bank Governor.

It will be attended by the Egyptian and Syrian Economy Ministers, the Governor of Jordan's Central Bank, The Chairman of The Abu Dhabi based Arab Monetary Fund as

well as officials and experts from, the International Monetary Fund and other Arab and foreign institutions.

The Arab banks-present and future challenges forum will also, cover proposals for an Arab reconstruction and development bank, Hindi, said.

"With reference to the recent Gulf upheaval and the realisation of the extent of income disparities between the have and the have-nots in the Arab world, the conference will discuss a paper on the establishment of an Arab Reconstruction and Development Bank, he said.