

## Scandal leads to resignation of Tokai Bank Vice-Chairman

TOKYO, Oct 4 : Tokai Bank Ltd's Vice-Chairman Eikichi Arai will resign from his post effective October 31, a Tokai spokesman said, reports Reuter.

Arai will resign to take responsibility for a fraud scandal in which a Tokai Bank official is suspected of forging bank documents which were used by Tokai clients as collateral for huge loans.

Tokai will not appoint a Vice-Chairman to replace Arai, who will become the bank's Special Adviser, he said.

Tokai will also impose disciplinary measures on its management by cutting the salaries of its senior officials.

## US unemployment rate hangs high

WASHINGTON, Oct 4 : The ranks of America's jobless numbered 8.5 million or more throughout the summer, and the economy's failure to quickly snap out of the recession is blocking any new hiring that could reverse the trend, reports AP.

The growth of jobs has been inadequate.... So the unemployment rate hangs high", said Robert Dederick, Chief Economist at the Northern Trust Co. in Chicago.

The government's first comprehensive look at economic activity for September was due out Friday with the Labor Department's release of unemployment figures for the month.

Friday's report has political implications, too, because President Bush and the Democratic-run Congress are nearing a veto showdown over legislation to extend unemployment benefits beyond the standard 26 weeks to the long-term jobless.

Bad economic news presumably would bolster the Democrats case. But better-than-expected numbers would add to the Republican argument that the economy is recovering and the legislation is not needed.

Bush, in issuing a veto threat, also complained that he can't sign a budget-busting, 6 billion Dollars unemployment measure that offers no way to pay for itself.

## NY stock prices suffer setback

NEW YORK, Oct 4 : Stock prices suffered a sharp setback Thursday, registering a wary view of prospects for US economic recovery, reports AP.

The latest figures on initial claims for state unemployment insurance showed a 10,000 decline, to 430,000, for the week ended Sept. 21.

That smaller-than-expected drop left traders uncertain about the chances for any significant improvement in the job market any time soon.

The Labor Department is scheduled to make its monthly report Friday on the employment situation. Analysts expect a modest increase in nonfarm payroll employment.

Separately, the Commerce Department reported Thursday morning that new factory orders fell 1.9 per cent in August, after a revised 6.1 per cent increase in July.

The Dow Jones average of 30 industrials dropped 27.73 points to 2,984.79, for its largest loss since it fell 69.99 points on Aug. 18.

NYSE volume came to an estimated 174.23 million shares as of 4 pm EDI (2000 GMT), against 166.29 million at the same point in the previous session.

The NYSE's composite index lost 1.86 to 211.73.

## Slow progress in loan sought by Kuwait

LONDON, Oct 4 : Work on a two to three billion Dollar international bank loan sought by Kuwait is advancing, but painfully slowly, bankers familiar with the transaction said, reports Reuter.

On banker quoted a Kuwait Investment Office (KIO) executive engaged in the negotiations as saying, "things are moving slowly, but they are moving surely."

The KIO manages the Emirate's offshore assets estimated at some 100 billion Dollar.

Two lead bank in the deal, JP Morgan and Sumitomo Bank Ltd, have agreed to participate but detailed talks over the structure have proved slow and tortuous, the banker said.

Kuwait is negotiating a loan with its relationship banks as part of a package aimed at raising some 10 billion Dollar towards the estimated 20-30 billion Dollar cost of reconstruction after the Gulf war.

## Soviet grain output down by 60m tons

MOSCOW, Oct 4 : A total of 151.7 million tons of grain has been harvested in the Soviet Union this autumn, a drop of roughly 60 million tons from last year's level, the unofficial news agency Interfax reported Thursday reports AFP.

The average grain yield also fell by 25 per cent in comparison to 1990 levels to 1.65 tons per hectare (2.5 acres), Interfax said, citing statistics from the Soviet Agriculture Ministry.

It said the harvest was 90 per cent complete in all grain-producing regions of the country but that the state had so far purchased less than half its quota.

It said the state had so far bought 35.4 million tons of grain in comparison with about 60 million tons by the same time last year and 68 million tons for the whole of 1990.

The state order this year was set at around 75 million tons. The report noted that 96 per cent of Soviet consumers purchase bread and cereal products through the state distribution system.

Interfax reported separately that there were difficulties in

the bread supply in Tashkent, the capital of the Central Asian Republic of Uzbekistan.

The Uzbek Trade Ministry attributed the shortage there to an increased consumption of bread due to shortages of other food supplies.

## Soviet, IMF sign agreement today on membership

MOSCOW, Oct 4 : The Soviet Union is expected to sign an agreement on special associate membership with the International Monetary Fund (IMF) tomorrow. Monetary sources said today, reports Reuter.

IMF Managing Director Michel Camdessus and President Mikhail Gorbachev would sign the documents tomorrow morning and the announcement would be made afterwards, the sources, who declined to be identified, said.

"They have been back and forth on the technicalities, they think things are in shape now," one source said.

## US official in India for copyright deal

NEW DELHI, Oct 4 : US Trade Representative Carla Hills arrived today for controversial and secretive negotiations with the Indian government on the protection of American copyrights and patents, reports Reuter.

Leftist activists said they would launch a series of street protests during her four-day visit, accusing Washington of seeking to perpetuate its bullying of Third World nations.

US Embassy officials refused to say when Hills would begin meetings. She is due to meet Prime Minister P V Narasimha Rao on Monday, the Press Trust of India reported.

Earlier this year, the United States cited India, China and Thailand for violation of intellectual property

rights and threatened to impose punitive tariffs on their imports.

Indian Commerce Minister P Chidambaram visited Washington last month for talks on the issue and said differences had been narrowed.

The Economic Times newspaper said his talks had been fruitful and an amicable solution was likely to be reached during Hills' visit.

He was speaking after a two-day visit by European Commission Vice-President Hening Christophersen to Moscow on Monday and Tuesday.

He said Christophersen had met with Soviet President Mikhail Gorbachev and asked for full details of Soviet needs after Gorbachev had disclosed

Moscow's new lower food aid request.

Last month the Soviet authorities said they needed food aid worth 14.7 billion Dollars to make up for food shortages until the summer harvest next year — and asked the EC to come up with nearly half this amount.

The EC spokesman said that both the community and the group of Seven (G-7) leading industrialised countries had characterised the Soviet request as exaggerated.

He quoted Christophersen as asking Gorbachev for "full clarity in the number game" — particularly a breakdown between urgent humanitarian aid, technical aid and requests for financial credits.

Christophersen also stressed that the Soviet Union needed to bring its runaway public deficits and inflation under control before it could expect macro-economic help.

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"It is very disappointing," he said. "It is injustice to the poor who suffered and are suffering.

## Supreme Court's verdict frustrates Bhupal victims

NEW DELHI, Oct 4 : A group representing victims of the Bhupal Gas tragedy today flayed the Supreme Court for upholding a 470 million Dollar deal over the world's worst industrial disaster, reports AP.

The group leader Abdul Zabbar Khan, also a victim, added that the court's decision to quash and immunity from criminal prosecution given to the US giant Union Carbide Corp (UCC) as well as its Indian subsidiary "will not help us anyway."

At least 3,885 people died, nearly half of them instantly, from the effects of tons of lethal Methyl Iso-Cyanate (MIC) gas which leaked on the night of December 2-3, 1984, from a UCC pesticide plant in Bhupal, central India.

Thousands more suffered

permanent damage for their health.

Khan said he and other voluntary groups had expected the Supreme Court to overrule a February 1989 settlement between the Indian government and UCC under which the multinational paid 470 million Dollars to New Delhi.

In return, the Indian government agreed to drop criminal proceedings against UCC, sparking nationwide condemnation.

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## US plans to encourage bank loans

WASHINGTON, Oct 4 : Treasury Secretary Nicholas Brady said in a newspaper interview that the Bush administration is working on ways to encourage banks to make more loans to avoid a credit crunch that could slow the economic recovery, reports Reuter.

He told the Washington Post the treasury is revising rules that might discourage lending and is taking other steps to keep bankers from being intimidated by regulators from making loans.

Other than suggesting an expedited appeals procedure in which businessmen could seek government intervention if they thought banks were unfairly withholding loans, the paper said Brady would not say what the administration

planned.

He expressed sympathy for government regulators.

"On the one they're being called stupid for letting the S and L crisis exist, Brady said. On the other side they're being called stupid for being too restrictive at a time when we want more bank loans.

Brady said the administration believes the US economy is pulling out of recession, but is uncertain whether the Federal Reserve's efforts to cut interest rates will create economic

growth and has no intention of trying to pump up government spending to promote growth. This has led to the attempt to promote bank lending as a way to spur the economy.

The proposal is to be taken up in early November at the NATO summit meeting in Rome that President Bush will attend along with leaders of the 15 other allied countries.

"Promoting democratic institutions and reform in the East complements the maintenance of a common defense in ensuring our security," Secretary of State James A. Baker III and German Foreign Minister Hans-Dietrich Genscher said in a joint statement. The two men met at the State Department on Wednesday.

Their statement was issued on the first anniversary of the unification of East and West Germany, which accelerated the end of the Cold War.

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It said inflation would remain firm for the rest of 1991. "Underpinned by sound domestic economic fundamentals, gradual upturn in the tourism industry and robust regional economies, Singapore's GDP is projected to grow at a steady rate of seven per cent in 1991," the DBS report said.

In August the government forecast growth of six to eight per cent in 1991 after GDP rose an annual 7.3 per cent in January-June.

DBS, the island state's largest bank, said upward momentum in Singapore's index

of leading indicators suggests a broad-based economic expansion is likely to continue into the second half. "However, its modest upward trend is indicating some signs of softening due to labour constraint and the resulting operating cost" the report said.

It said inflation is likely to remain firm in July-December owing to rising wages, extra bonuses paid to employees, increased diesel fuel prices and higher business operating costs due to a new pricing system for Singapore telecom's services to be introduced at the year-end.

Consumer prices rose an annual 3.8 per cent in July-August due to higher transport costs and tuition fees for tertiary education. Inflation for the years as a whole will range between three and four per cent against 3.4 per cent last year, the bank said.

It said the unit business cost index of manufacturing rose 5.1 per cent in January-June 1991 compared to the year-ago period.

"Higher inflation and weaker stockbroking activity are likely to soften private consumers' spending," the bank said.

Reflecting this trend is a year-on-year rise of only eight per cent in loans to professionals and individuals in January-June against 38.3 per cent growth in the same period a year earlier.

Despite a recovery in tourism after the Gulf War, Japanese visitor arrivals may remain sluggish and will continue to cloud the outlook for the industry. Arrivals are projected to rise 2.4 per cent in 1991.

## Bangkok meet of G-7 faces challenge to bail out Soviet Union

FRANKFURT, Oct 4 : Group of Seven Finance Ministers, meeting in Bangkok later this month, face the paradoxical challenge of having to bring one of the world's richest nations back from the brink of bankruptcy, report Reuter.

The Soviet Union, blessed with ample raw materials, has already lost its reputation as one of the safest credit risks, though it never missed a cent of its 68 billion Dollar foreign debt repayment. Western bankers say that, on paper at least, the Soviet Union should be able to fulfil all its foreign debt obligations, but some say reality may be different.

I would expect a rescheduling of medium and

long-term debt by the end of the year," said one London banker.

Some bankers say the Soviet Union is already close to defaulting on foreign loans due to financing gap which U.S. officials put at two to five billion Dollars.

"Looking at the economic potential of the Soviet Union, it is not a debtor nation, but it will have difficult transitional problems," said Deutsche Bank economist Andreas Gummich.

He thought Moscow would make debt repayments punctually but did not play down the extent of the problem, noting that it had to find 12 billion Dollars in the second half of 1991 alone.

"Nobody knows exactly how are going to meet the payments. It will certainly be hard," Deutsche Bank's Gummich said.

Officials from the Group of Seven (G-7) — the United States, Japan, Germany, Britain, France, Italy and Canada — are working to avoid a Soviet debt default. But a week before G-7 Finance Ministers meet in Bangkok, ahead of an International Monetary Fund (IMF) meeting, no clear solution is in sight.

The US and Germany both oppose rescheduling and the US appears reluctant to provide a huge bridging loan to help Moscow over the next few difficult months.

Our view — and we have discussed this carefully with Soviet partners — is that the Soviet Union will be able to manage this problem," Koehler said.

Many Western politicians



MOSCOW : A private fruit and vegetable trader licks her lips as she waits for customers at Moscow's central market. The traders sell their goods at slightly higher prices and all the profit is their to keep. Customers who shop at this market pay more but are guaranteed both quality and quantity.

— AFP/UNB photo

## EC to discuss reducing exchange rates

BRUSSELS, Oct 4 : European Community Finance Ministers will discuss on Monday a Danish proposal to reduce the narrow band of EMS exchange rate mechanism to 1.5 per cent on January 1, 1994 from 2.25 per cent now, EC officials said, reports Reuter.

They said the current President of the EC, the Netherlands, had put the issue on the agenda of a meeting of EC Finance Ministers in Luxembourg on October 7 at the request of Danish Finance Minister Anders Fogh Rasmussen.

But the officials said they expected only a general discussion at ministerial level of the proposal to narrow the EMS fluctuation band since it was first put forward by the Danish Minister at an informal meeting in Luxembourg last May.

Rasmussen proposes that the Economic and Monetary Union (EMU) Treaty now being negotiated by the 12 EC members say that at the beginning of the second EMU stage on January 1, 1994, the narrow EMS band be reduced to 1.5 per cent from 2.25 per cent. The wide six per cent margin could be continued temporarily beyond 1994. Narrowing the band in 1994 would be a political signal that full EMU with fixed exchange rates is near, Rasmussen argues.

EC Finance Ministers in May referred the idea to EC central bankers for study. Central bankers were less than enthusiastic about it, concluding that setting dates to reduce the band could reduce their flexibility in managing their currencies.

The idea was only briefly mentioned at a meeting of EC Finance Ministers in Apeldoorn, the Netherlands, last month.

The latest Dutch draft of an EMU Treaty does not include any narrowing of the EMS margins in 1994. The Mark Guilder, Franc, Lira, Belgian/Luxembourg Franc, Irish Punt and Danish Crown are now in the narrow band. Sterling and the Peseta float within a six per cent margin. Drachma and Escudo are outside the mechanism.

## UPI to sale radio network

WASHINGTON, Oct 4 : United Press International (UPI), which is operating under bankruptcy protection from creditors, said on Wednesday that talks are under way on the sale or recapital