

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 Reuters.

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 board 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 EDT (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 Reuters.

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 downs 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 Reuters.

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 Reuters.

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.

The Indian government's attitude to Washington's demands appears to be more

conciliatory than two years ago, when it was first cited under the 1988 US Trade Act that seeks to protect American firms from unfair trade measures.

Supreme Court's verdict frustrates Bhupal victims

NEW DELHI, Oct 4: A group representing victims of the Bhopal 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 Bhopal, 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.

"Thousands died like dogs because of UCC, thousands more are suffering," Khan said. "Many are permanently disabled, many can never get any job. What is 470 million Dollars when you divide it?"

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

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 Reuters.

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.



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

Gorbachev cuts estimate of food aid needs

BRUSSELS, Oct 4: The Soviet Union has cut its estimate of the food aid to needs to get through the coming winter from 14.7 billion to 10.2 billion Dollars, a European Community (EC) official said here yesterday, reports AP.

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

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

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

US, Germany call for NATO links to USSR

WASHINGTON, Oct 4: The United States and Germany called on the NATO alliance Thursday to establish formal links with the Soviet Union to promote democratic reform, reports AP.

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.

US, allies ready to assist Soviet

WASHINGTON, Oct 4: The United States and its industrialised allies stand ready to assist the Soviet Union if it needs help in avoiding a default on its foreign debt, a senior US Treasury Department official said on Thursday, reports Reuters.

"They may have a payments problem," US Treasury Under Secretary David Mulford told a news conference. "If that is the case, then obviously we are ready to discuss that with them... to try to find some solutions to that problem."

But Mulford ruled out any sort of debt relief for the Soviet Union and warned the country of the dangers to its credit worthiness of rescheduling its 60 billion to 70 billion Dollars in foreign debt.

Mulford's warning to the Soviet Union about reschedul-

ing was echoed by leading international banks.

Economic policymakers from the Group of Seven — Britain, Canada, France, Germany, Italy, Japan and the United States — are slated to meet their counterparts from the Soviet Union later this month in Bangkok ahead of the International Monetary Fund and World Bank annual conference there.

Mulford said that he did not expect the Soviet representatives to ask for big cash handouts from the G-7, although he made clear that the question of what to do about the Country's foreign debts would be discussed.

Once considered among the most creditworthy of borrowers, the Soviet Union is finding it increasingly difficult to keep up to date on its debt payments as its economy col-

lapses, oil output slides and import needs, especially for food, grow.

Mulford said that at worst the Soviet Union faces a short-term cash crunch. It is not insolvent and its debt burden is nowhere near that confronting some Latin American countries.

The extent of the Soviet financing problem — or, indeed, whether it has one — and even the amount of its foreign debt is still not clear, Mulford said. US Treasury Secretary Nicholas Brady welcomed the decision by 12 of the Soviet Union's 15 republics to band together in an "Economic Commonwealth."

"This agreement, if fully supported by all major republics, will serve as a valuable step forward for discussions with the Soviets in Bangkok."

China faces economic crisis

BEIJING, Oct 4: China faces an economic crisis and must take urgent steps to balance its books, economists here have warned, reports AP.

Their warnings comes as Chinese authorities are showing increasing concern about the country's economic plight, especially the decline of medium-sized and large state enterprises.

China is now in financial difficulties, Wang Shaofei, a senior economist with the Chinese Academy of Social Sciences, was quoted Thursday as saying.

"It is necessary to see the seriousness of this problem and have a sense of crisis, the English-language China Daily reported him as saying.

According to Institute of Finance and Trade Economics Director Zhang Zhuo Yan, the budget deficit will rise to at least 3.7 billion Dollars this

year, compared to 2.7 billion Dollars in 1990, because of relief for flood-stricken provinces this summer and an anticipated rise in capital investment at the end of the year.

But subsidies for ailing public-sector enterprises are the main drain on state finances. They were absorbing about 36 per cent of the state's returns at the end of 1989, compared to 27 per cent three years earlier, according to State Statistical Bureau figures quoted by the China Daily.

Wang blamed the public sector's disappointing performance as well as China's current contract responsibility system for the budget problems.

The system allows enterprises to keep part of their incomes after giving a certain percentage to the state. State-owned firms tend to try to

keep as much of their profits as possible.

In addition, local government deprive the State of substantial revenue by collecting illegal charges from businesses.

The State also spends billions of Yuan in subsidising rent, food, transport and medical care.

Wang said that in the short term the government would have to eliminate subsidies for failing state enterprises and ask both public-sector and collectively-run businesses to pay off loans.

In a sign of China's mounting concern at the slump of the public sector — which comprises several thousand firms — the Communist Party's Central Committee held a working conference here last week to consider solutions.

Singapore expects 7pc GDP growth

SINGAPORE, Oct 4: Singapore's Gross Domestic Product (GDP) is expected to grow a real seven per cent this year against 8.3 per cent in calendar 1990, the Development Bank of Singapore Ltd (DBS) said in a quarterly reports Reuters.

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.

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 Reuters.

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 of the idea and there would be no decision.

It will be the first 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 recapitalisation of its radio network, reports Reuters.

The network, which provides an audio news service for radio stations in English and Spanish, was launched in 1958.

The news agency said the discussions were being held with "several interested parties" but did not elaborate.

If the network were sold, UPI said, it would keep control of its broadcast news text service, which has recently moved to Washington from Chicago.

UPI filed for bankruptcy protection from creditors on August 28. It is a unit of Infotechnology Inc, which itself has filed for bankruptcy protection.

Papper producers see upturn in prices

KUALA LUMPUR, Oct 4: The International Pepper Community (IPC) opened annual talks here today amid optimism that prices depressed over past four years are set to rise, reports AP.

Officials said they have ruled out stock piling to support prices. Instead they have proposed moves to raise consumption, and are thus expecting prices to move up next year.

Malaysia's Deputy Minister of Primary Industries Mahmud Mansur, who opened the 19th session of the IPC, said that there was urgent need for all non-IPC producers to cooperate to lift prices.

Malaysia, the world's fourth largest producer of the commodity, also called on new pepper producers like Sri Lanka, Thailand, Vietnam, China, Costa Rica and Madagascar to join the IPC.

The IPC, made up of Brazil, the world's largest producer, Indonesia, India and Malaysia, accounts for 85.8 per cent of world production and 90.2 per cent of world exports.

Producers and exporters are optimistic that prices have hit rock bottom and will recover soon based on a five-year cycle, said Yusof Basir, Deputy Secretary-General of the Primary Industries Ministry.

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, reports Reuters.

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 fulfill 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 a 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.

Diplomats in Washington said at the weekend Western nations would probably offer Moscow a payments standstill which would fall short of a full-scale rescheduling.

German Finance Ministry State Secretary Horst Koehler said last week, "you must recognise that the level of debt is not that frightening compared to the size of the country and its wealth of raw materials, above all energy products."

"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.

and Soviet experts say rescheduling is the last thing Moscow needs. It would gravely reduce the country's credibility with foreign investors at a time when it needs all the new it can find.

German banks, with the biggest exposure to the Soviet Union on their books, are particularly eager to see the West come up with a scheme to ensure they are paid promptly.

Hilmar Kopper, Chief Executive of Germany's largest bank, Deutsche Bank, has come up with the most concrete plan—a bridging loan of up to five billion Dollars to be funnelled to Moscow via the Bank for International Settlements (BIS).

US antipathy to a BIS bridging loan stems from the fact that such credits are traditionally tied to pledges of IMF funds. Moscow has not yet joined the IMF as an associate, let alone as a full member which would entitle it to IMF loans.

One way to sweeten G-7 opposition to a BIS bail-out would be for the Soviet Union to use gold reserves as collateral, bankers say. This would be preferable to raising cash by selling bullion on the open market, risking a collapse in the price of gold.

Dietrich Weishaupl of the Sued West Deutsche Landes Bank backs Kopper's proposal in the event of a liquidity crisis.