

Call to stop NZ wool export to India

WELLINGTON, May 19: New Zealand should stop exporting wool to India because most of its was being used by bonded child labourers to make carpets, an Indian activist said here Monday, reports AFP.

New Zealand last year exported 53 million dollar (28.3 million US) worth of wool to India, most of it to Uttar Pradesh province where it was used to make carpets.

Television New Zealand's 'holmes show', a primetime news and current events programme, Monday evening showed young children using what it said was New Zealand wool to make the carpets by hand.

Kailash Satyarthi of the Bonded Labour Liberation Front in Uttar Pradesh told the programme New Zealand should stop sending wool to loom owners would be pressured into replacing children with adults.

"I'm not asking to stop this [trade] forever," he said. "I want to request that it be stopped to create pressure."

Indian carpet export promotion spokesman RB Matur said that 50 years ago bonded child labour was used to make carpets but no longer.

"There is no bonded labour here," he said. New Zealand Wool Exporters Council declined to comment on the claims.

China plans to build an airport close to Taiwan

HONG KONG, May 19: China is to build an airport on an island close to Taiwan in order to promote trade with the nationalist stronghold, a report said here today, reports AFP.

The decision to build an airport on Pingtan, China's fifth largest island off Fujian province, was reached between Fujian Airline Co and the county government of Pingtan, the newspaper Wen Wei Po said.

The airport will be operational in January with regular 15-minute flights between the island and the provincial capital Fuzhou, it said.

The daily said the building of an airport on Fujian's largest island, which is only 25 minutes by air from Taipei, could solve transport problems and promote trade with rival Taiwan.

China has been urging its rival Taiwan to resume air and sea links with the mainland.

Taiwan, which Beijing considers as a breakaway province, remains adamant in having no official contacts, though its residents are now allowed to visit the mainland via a third country.

The nationalist Kuomintang Party ruling Taiwan fled the mainland after losing the civil war to the Communists in 1949.

OECD for cut in industrial subsidies

PARIS, May 19: The Organisation for Economic Cooperation and Development (OECD) is urging governments to cut industrial subsidies as a way of helping reduce international trade disputes, reports Reuters.

"Export-related supports seem to have increased, in spite of the international efforts to contain them," it said in a report covering the period 1986-89.

This showed a decrease in total subsidies. Tax concessions declined while direct financial support increased, it said, noting that its data base and a process of collective reviews by members had made support for industries more transparent.

The OECD, an economic think-tank for the world's richest countries, said it found a switch from catch-all subsidies to more focused support for research and development, regional development and export promotion.

There was a role for industrial subsidies in promoting national policies, it said, but they could distort competition between companies in a particular country and between countries.

"In a rapidly globalising economy, freer movement of goods, services and capital is sustainable only if international competition is perceived as fair," the OECD said.

The issue was being scrutinized by international and regional bodies, notably the European Community and the General Agreement on Tariffs and Trade (GATT), which is coordinating the current, problem-ridden Uruguay round of trade talks.

Nepal announces new economic policy

Private sector will get priority

KATHMANDU, May 19: Nepal has announced a new economic policy aimed at promoting trade by increasing the role of the private sector "in a liberal and open environment," reports AFP.

Under the policy, importance will be given to promoting sustainable exports while the role of government will gradually be reduced in order to encourage private entrepreneurs, state radio and government officials said Saturday.

It also emphasizes the need to diversify trade through the identification, development and production of new products, and calls for reducing

Nepal's trade deficit while using trade to increase employment.

"Export of all items (except restricted commodities) has been liberalised and a provision has also been made under which licences need not be obtained for import of items except those which fall under the bidding system," the radio said, quoting the Commerce Minister.

The list of restricted items, 43 in all, includes industrial raw materials such as palm oil, vegetable ghee and plastic granules.

Nepal already plans to make the rupee currency fully convertible in the near future.

The state radio also said that, under the new policy, Nepal would sign new treaties and agreements with other countries and organisations if necessary to promote trade.

Provisions have been made to set up a commercial council and to study and improve Nepal's transportation network, the radio added.

Nepal imported 317 million dollar worth of goods more than it exported in the nine months ended mid-April. Seventy per cent of its export earnings come from ready-made garments and woolen carpets.

The new trade policy is designed to make the commercial sector open, competi-

tive, transparent and market-oriented," a Commerce Ministry official said.

"It aims at contributing to the economy by promoting national and international trade through increasing participation of the private sector in an open and liberal atmosphere," he said.

Under the export policy, exporters will be able to exchange part of their foreign exchange earnings at the prevailing market rate.

The policy also aims at promoting exports through improvements in the quality of exported goods and by encouraging the export of commodi-

ties and services which are likely to earn more foreign currency," the official said.

"Similarly, the policy aims to generate foreign currency income through the development of service-oriented professions, encouraging the export of hydro-electricity to India in a profitable manner through private entrepreneurs, and mobilising Nepalese agencies abroad in the task of promoting exports."

"The policy also stresses the improvement of container and bonded warehouse services," the official continued, adding that there would be no "quantitative restrictions" on exports carried by tourists.

"Under the export policy, duty drawback will be effectively implemented for the import of raw materials needed for the production of exportable commodities and the intermediate goods," the official said.

"The system of providing loans prior to and after the export of commodities and services will be simplified," he added.

"Income earned from export will be exempt from income tax, export procedures and documentation processes will be simplified and arrangements are to be made for monitoring export activities."

OPEC ministerial meet in Vienna today

Riyadh to urge 1m barrel a day increase in output ceiling

NICOSIA, May 19: Saudi Arabia will urge a one million barrel a day increase in the OPEC production ceiling at a ministerial meeting of the organisation in Vienna May 20, the Middle East Economic Survey (MEES) predicted Monday, reports AFP.

Saudi authorities see the proposed third quarter hike as "the minimum necessary to accommodate its own estimate of a third quarter demand call on OPEC crude supply of over 24 million barrels a day," the publication said.

Ministers from the Organisation of Petroleum Exporting Countries, at a meeting in mid-February, fixed the ceiling at 22.98 million barrels a day.

The 13-nation group

pumped an average of 23.27 million barrels a day in April, according to MEES.

But it pointed out that Saudi Arabia in February had insisted on producing eight million barrels a day, rather than the 7.89 million officially allocated to it by OPEC.

A true OPEC ceiling would, therefore, be around 23.1 million barrels a day, MEES said.

The publication predicted that the Vienna gathering would be "a toughly bargained tug-of-war between member countries regarding allowable production in the third quarter."

"The expectation is that this OPEC meeting will confine itself to deciding on the production ceiling and distribution for the third quarter."

leaving any decision on the fourth quarter to another ministerial session in September."

While Saudi Arabia, forecasting strong demand, is advocating a production hike, other member — such as Iran — oppose an increase as long as the OPEC reference price remains well below the 21-dollar a barrel target.

MEES reported that a majority of experts on OPEC's Economic Commission Board, who met in Vienna ahead of this week's ministerial session, are predicting third quarter demand for OPEC oil will reach 23.7 million barrels a day and 25.1 million barrels in the fourth.

Demand in the first quarter came to 23.9 million barrels a day and 22.6 million in the second.



BEIJING: Washington Post China correspondent Lena Sun poses at her desk on Monday. Chinese security agents searched Sun's offices on Sunday and seized journalistic notes. Sun, her husband and two-year old son were held "under virtual house arrest" by the agents who also searched her home.

Dollar ends softer as mark, Swiss franc gain

NEW YORK, May 19: After suffering a hard knock overnight, the dollar skidded further to the close. The Swiss franc rallied on news the Swiss government had applied to join the European Community, while the Deutsche mark jumped on a wage deal reached by the IG metal union and employers, reports Reuters.

"With this type of scenario, you can't be too many forecasts holding to the view the dollar has bottomed out," said Rick Porter, corporate dealer at Fuji bank in New York.

The dollar closed at 1.5953/60 mark and

128.75/85 yen, down from the opening at 1.5980/90 and 129.10/20 and sharply below Friday's US close at 1.6095/05 and 129.80/90.

Before the US open, a Swiss radio report that the government decided to apply to joining the EC gave the Swiss franc a firm boost. Later on, the Swiss cabinet office confirmed it decided to apply for the start of membership negotiations in the "near future."

The dollar was given a mild reprieve from its 1.4625 franc lows today after Swiss National Bank Vice President Hans Meyer said the bank saw no

reason to place the Swiss franc into the European Monetary System (EMS). Entry into the EMS is generally seen as adding strength to such a currency.

Randolf Downey, research director at Pegasus econometric group, said Swiss franc's gains on the government's EC decision was partially muted by the German wage settlement overnight, which sparked a run-up in the mark. The dollar sank more than a penny from Friday's close on the news.

The last-minute pay deal, which saved Germany's econ-

omy from a potentially crippling massive engineering strike, provides for an overall 5.8 per cent pay increase for 1992 and 3.4 per cent in 1993, including additional payments.

The pay deal signalled to the Forex market that German interest rates would remain firm to curb inflation.

The belief that German monetary policy must remain firm was confirmed by a statement of Bundes Bank board member Otmur Issing today that strong money supply growth was allowing no scope to reduce interest rates.

Germany's M3 money supply, a barometer of future inflation, rose 9.7 per cent in March, far beyond the Bundes Bank's 1992 target ceiling of 5.5 per cent.

A trader at a European Bank said comments today by Bundes Bank President Helmut Schlesinger that the pay rise package was a potential danger for the economy helped slow the dollar's slide against the mark. "But a six per cent (dollar/mark yield) differential can't help the dollar much," he added.

Some traders said the dollar maintains a downward bias

but could find short-term support at its day's low of 1.5930/40 marks, which on the charts marks a 50 per cent retracement of the move from the lows of January to the peaks of April.

The market awaits any signals on US interest rates which might come out of US April housing data, due at 1230 GMT Tuesday, or the FED's FOMC council meeting Tuesday and Wednesday.

"Fed policy is still in the air," said the European bank dealer. "It took a back seat at least today (to European news). I'm waiting for more figures to come out."

US refused several Iraqi offers to pay back \$2.5b

WASHINGTON, May 19: The Bush administration turned down several Iraqi offers on the eve of the Gulf War to pay back 2.5 billion dollar in US loans, confidential cables show, reports AP.

The Iraqi overtures, which were not made public, were dismissed as ploys to divide the international coalition being assembled by the United States against Iraq after its August 1990 invasion of Kuwait.

"It is hardly conceivable to us that the Iraqis intend to use their limited foreign exchange to make payments on debt to the United States," Deputy Secretary of State Lawrence Eagleburger cabled the US Embassy in Rome.

The October 2 cable urged that the 12-nation European Economic Community, some of whose members received similar offers, withhold any response to Iraq until consulting with the United States.

In the cable, which was obtained by The Associated

Press, Eagleburger noted that in all, Iraq owed the United States about 2.5 billion dollar of which almost 2 billion were loans guaranteed by the Bush administration for the export of American farm products to Iraq.

The administration has had to pay back those loans itself.

Eagleburger suggested that Iraq was using the offer as "a ploy to promote some other objective" — possibly to draw the United States into discussion that would ease the international isolation imposed by punitive UN economic sanctions.

He said that although the United States didn't want to be seen as waiving its claim to the money, it also didn't want to accept the offer and be seen as softening its demand for a total Iraqi withdrawal from Kuwait.

In the end, the United States and EEC all rejected the offers, said a State Department official who discussed the matter Monday on condition of anonymity.

The first offer came on September 17, 1990, as US troops were massing in Saudi Arabia in response to Iraq's August 2 invasion of Kuwait.

A note to the US Embassy in Baghdad from the foreign ministry said the Iraqi government "expresses its full readiness to pay off its debts... immediately and regularly." It asked the United States to send an envoy "to discuss the method of payment of these debts."

The official said the Iraqis made several such offers to the United States and to EEC member nations in the months leading up to the January 16, 1991, start of the allied air war against Iraq.

In a related development, the chairman of the House Banking Committee asked the administration Monday for information regarding the role of Eagleburger's boss — Secretary of State James A Baker III — in making policy toward Iraq.

US dollar remains lower against Japanese yen

TOKYO, May 19: Share prices on the Tokyo Stock Exchange gained moderately in Tuesday morning trading, as the US dollar remained lower against the Japanese yen, reports AP.

The 225-issue Nikkei Stock Average rose 151.64 points, or 0.82 per cent, closing the morning session at 18,594.74 points. The average gained 368.83 points, or 2.04 per cent, on Monday.

The Tokyo Stock Price Index of all issues listed on the first section, which rose 21.92 points or 1.63 per cent on Monday, added another 12.71 points, or 0.93 per cent, to 1,383.45 points.

At late morning, the dollar was changing hands at 129.15 yen, down 0.53 yen from Monday's close. It opened at 129.00 yen after finishing overnight at 128.75 yen in New York.

Metals firmer, dollar weaker in Europe

LONDON, May 19: European precious metals cut earlier losses in subdued trade as gold remained underpinned by a weaker dollar, traders said, reports Reuters.

Gold was trading at 338.85 dollar/339.25 dollar an ounce as sporadic buying interest lifted it from an early low around 336.50 dollar.

"We don't trust it up here and can't put a finger on why it's so firm, other than the weaker dollar," one dealer said.

Earlier the metal slipped on disappointment that New York closed below 340 dollar on Friday, when London ended at 339.30/80 dollar.

Platinum was unaffected by the publication of Johnson Matthey's annual supply and demand report, which said prices could soar later this year.

Economic recovery in the US and stronger demand for use in catalytic converters, which cut car exhaust gases, were cited as major factors for prices to rebound from six-year lows.

Platinum was trading at 357 dollar/358 dollar, about 1.75 dollar below Friday's close.

Silver was about three cents lower, at 409/411 an ounce, after being four cents down earlier.

This morning the dollar dropped more than a pfennig

Pak trade deficit widens sharply

KARACHI, May 19: Pakistan's trade deficit in April widened sharply to provisional dollar 110 million compared with revised dollar 39 million in March and dollar 93 million in the year-ago month, reports Reuters.

The Federal Bureau of Statistics said exports rose to provisional dollar 659 million compared with revised dollar 680 million in March and 557 million in April last year.

The bureau said exports of rice and cotton yarn fell slightly in April.

Imports rose to provisional dollar 769 million compared with revised dollar 719 million in March and dollar 650 million in April last year.

Imports of machinery fell but of chemicals and wheat rose sharply in April, the bureau said.

In the first 10 months of fiscal 1991/92 (July/June), Pakistan recorded a trade deficit of dollar 2.12 billion, compared with dollar 1.46 billion in the year-ago period.

Following are the trade figures in dollar

April 1992	March 1992	April 1991
Deficit 110 million	39 million	93 million
Exports 659 million	680 million	557 million
Imports 769 million	719 million	650 million

US protests search office of Washington Post

WASHINGTON, May 19: The United States has protested to China over the search by security officials of the office of the Washington Post's Beijing Bureau Chief, the State Department said on Monday, reports Reuters.

Department's spokeswoman Margaret Tutwiler said that a protest was handed to the Chinese Embassy in Washington on Sunday and a second was to be delivered at a higher level on Monday.

The United States also intended protesting in Beijing, but Tutwiler declined to say which US officials would deliver the protests.

"There have been a number of incidents over the past several months directed against foreign journalists serving in China," she said.

"We deplore any actions taken by the Chinese government intended to harass foreign journalists and interfere with their ability to report openly on events in China."

Chinese officials searched the office of Lena Sun of the Washington Post, warned her about her activities and said they had arrested one of her sources.

No formal charges yet against 18 BCCI officials

DUBAI, May 19: No formal charges have yet been brought in Abu Dhabi against 18 detained officials of the Defunct Bank of Credit and Commerce International (BCCI), legal sources said on Monday, reports Reuters.

The officials, including former Chief Executive Officers Swaleh Naqvi and Zafar Iqbal, were detained in September as part of Abu Dhabi's probe into the disgraced bank, closed down in a worldwide swoop last July.

The government of Abu Dhabi owns 77.4 per cent of BCCI.

The majority shareholders were quoted in a report from Washington on May 14 as saying the 18 officials had been charged in Abu Dhabi with fraud and other violations at the bank and were being held pending their trial.

Pay compromise will benefit German economy

FRANKFURT, May 19: Germany has marched back from the brink of a potentially devastating engineering strike with a pay compromise viewed as beneficial to the whole economy, reports Reuters.

Financial markets leapt in response to a last minute 5.8 per cent pay deal for Western Germany's four million metal and engineering workers.

It was also expected to help restore the image of Germany as a haven of industrial stability, shattered after this month's unprecedented 11-day public services strike.

"The fact that we have avoided a strike is very positive," said Jochen Schober, chief economist at Hessische Landesbank.

Schober said 21-month of industrial peace outweighed the slightly negative inflationary impact of the pay accord.

He was not planning to revise his inflation forecasts for this year and said the German Bundesbank should see no

reason to respond to the deal with a tightening of monetary policy.

The pay deal provides for a basic 5.4 per cent wage increase for the 12 months from the end of March.

There is also a 3.0 per cent rise for the last nine months of 1993. Additional payments, including higher Christmas bonuses, give an overall 5.8 per cent for 1992 and 3.4 per cent in 1993.

"It can only be for the good that we now have a settlement which goes through to the end of 1993," said Ros Lifton, Frankfurt-based economist with Nomura Research International.

Matthias Wissmann, economic policy spokesman for Chancellor Helmut Kohl's Christian Democrats, said, "It is a great relief that this shadow of a strike in the metal industry has disappeared from German industry."

The stock market welcomed the accord. The 30-share dax index rose two per cent to a 10-week high of 1,758.43.

"In one word it's positive," said James Capel's Hans-Peter Wodniok.

German bond prices rose strongly and the mark jumped to a three-month high against the dollar, it was fixed at 1.5968 to the US currency, up sharply from Friday's 1.6179.

The inflation-conscious Bundesbank had previously insisted that wage rises this year must be clearly below last year's records which provided for an average increase of 6.7 per cent.

Growth in 1992 would now be between two and 2.5 per cent. Economics Ministry State Secretary Johann Eckhoff said in Paris. That was above previous forecasts of around two per cent that the government has forecast until now.

The 5.4 per cent basic wage rise for the engineering sector was the same as the deal which ended the public sector strike.

Concessions had been clearly made on both sides. The final accord was below the six per cent the Engineering

Union said was an absolute minimum and above the 3.3 per cent set by management.

"It's a deal which genuinely deserves the label compromise," said Alexander Batschert, spokesman for the VDMA Engineering Industry Association in Frankfurt.

Batschert said the 5.8 per cent could be difficult for some companies in his sector.

"For the industry as a whole, a deal with no strike was clearly preferable," he added.

Economists said the accord would help restore foreign confidence in the German economy, which has been eroded not just by the public services strike but by signs of political instability within Kohl's government.

"Foreign views, especially in Britain, that strikes are now a German disease and not a British disease are no longer relevant," said Commerzbank Economist Juergen Pfister.

Business briefs

Russian oil exports to match '91: Russian oil exports this year should match the 1991 level of 60 million tonnes, Energy Minister Vladimir Lopukhin told a news conference, reports Reuters from Moscow.

"Considering our need to buy food and the need of the oil and gas industry (for hard currency), I think that export volumes this year will be around last year's levels, that is approximately 60 million tonnes of crude oil," he said.

Sudan introduces new currency: The Sudan government announced the introduction of a new currency which it said would help fight inflation and lower the cost of printing new bank notes, reports Reuters from Khartoum.

Al-Shafik-hid-Ahmed-al-Shafik-h, the Governor of the central bank, the Bank of Sudan, told a news conference the new currency, the dinar, would be worth 10 Sudanese pounds.

Tin resumed its size on LME: Tin resumed its rise on the London Metal Exchange (LME) Monday, reaching new 18-month highs, while aluminium firmed slightly as Germany's engineering industry averted a national strike, reports AFP from London.