# BRIEFS

### Spot price of oil rises

LONDON, June 16: Oil prices extended a three-week rally on Monday buoyed by news of a possible strike on some of Norway's rigs and reports of a refinery explosion in Belgium, reports Reuter.

The developments were enough to add 10 to 15 cent to the spot price of a barrel of Brent blend, the world benchmark crude oil, in a market which thinks that the supply demand balance may tighten in coming months.

### Production up in E Germany

BONN, June 16: Industrial production in former East Germany rose by 10.5 per cent in March from the figure in February, owing to a big increase in construction, where activity rose 22.5 per cent, the Economy Ministry reported on Monday, according to AFP.

Compared with a year earlier, production was 3.8 per cent lower, mainly because of the closure of ageing plants in the mining and energy production sector.

### Eastern Europe lagging reforms

BASEL (Switzerland), June 16: Countries in Eastern Europe are behind with reforms and must privatise state-owned companies and apply tight national budgets, the Bank for International Settlements (BIS) said in its annual report Monday, according to AFP.

"1991 was a far more difficult year for the Easter European countries than had been expected," the bank said. "The apparent spread of reform fatigue should not be allowed to weaken the authorities' resolve to persevere with necessary adjustment measures."

### German shipworkers occupy yard

STRALSUND (Germany), June 16: More than 2,000 eastern German shipworkers occupied a yard here on Monday to press for an early European Community (EC) decision on the future of their industry their employers said, reports AFP.

The chairman of the Stralsunder Volksweft, Siegfried Heitmann, said the workforce had taken the action ahead of a meeting of EC ministers on Wednesday to debate plans to allow eastern German shipbuilding to get a special subsidy.

Several countries are reportedly against the commission's proposals, including France, Italy and Spain, which are demanding a capacity cut of more than half.

### Gold output drops in South Africa

JOHANNESBURG, June 16: South Africa's gold output dropped 6.9 per cent in May to 48,311 kilograms from 51,874 kg in April, the Chamber of Mines, representing the major mining houses, said here Monday, reports AFP.

The May total, including non-members of the chamber, was 4.9 per cent down on the 50,822 kg produced in May last year.

The cumulative total for 1992 was 250,122 kg, up 0.66 per cent on 248,448 kg produced by the end of May last year.

### Pakistan's trade gap widens

KARACHI (Pakistan), June 16: Pakistan's trade deficit in May widened to a provisional 124 million dollar, compared with a revised 118 million dollar in April and 133 million dollar in May 1991, reports Reuter.

The Federal Bureau of statistics said exports rose to a provisional 717 million dollar, compared with a revised 657 million dollar in April and 611 million dollar in May 1991.

### French farmers protest subsidy cut

PARIS, June 16: Farmers, angry over the government's decision to cut farm subsidies, sacked government offices, blocked roads and dumped tons of potatoes in protests throughout France on Monday, reports AP.

It was the sixth consecutive day of protests against France's plan to trim the subsidies in line with major reform of European Community agricultural policies.

### France, Britain differ on GATT deal

LUXEMBOURG, June 16: France and Britain expressed opposite views on the chances for a deal at world trade talks, stalled on a row between the EC and the US on agriculture, reports Reuter.

French Foreign Minister Roland Dumas said he was skeptical that progress could be made, but his British counterpart Douglas Hurd said he thought there was a chance to narrow the gaps between the two sides.

## Indian Minister denies link with scam

# Standard Chartered to sue for lost money

NEW DELHI, June 16: Standard Chartered, one of several foreign banks implicated in the billion dollar Indian bond scam will take legal action to recover some 300 million dollar it lost in the fraud, state television said Monday, reports AFP.

A television newscast quoted bank sources as saying action would be initiated after an internal enquiry had been carried out to "determine what went wrong," and added that Grindlay's Bank was likely to follow suit.

The broadcast gave no further details.

The scam, in which federal authorities alleged more than one billion dollar in government bonds were diverted by brokers to play the stock exchange, has shaken the country's banking system and stock markets.

Among those arrested have been leading Bombay broker Harshad "Big Bull" Mehta and two of his brothers, as well as at least five Indian bankers.

Reuter adds: The heads of India's three main stock exchanges failed in an effort to persuade government officials to release funds frozen during investigations into the country's worst financial scandal, the United News of India (UNI) reported on Monday.

Brokers in Bombay, India's biggest stock exchange, said they boycotted trading on Monday because several companies refused to transfer shares sold by Harshad Mehta, the central figure in a multi-billion rupee financial scandal.

"We are on strike. We can't do business," said Kirtikumar Parekh, a director of the Bombay Stock Exchange.

Brokers in Bombay had hoped that the meeting between the heads of the stock exchanges of Bombay, Calcutta and Delhi and senior officials would break the current deadlock.

"We expect the government to issue orders clearing the transfer of the shares to the names of the buyers," Parekh said.

Officials in Delhi who held two meetings with the stock exchange chiefs remained unconvinced.

The brokers said the government 'should permit all transactions before June 6, the day an ordinance was issued to set up special courts to investigate the financial scandal.

Stock exchange chiefs warned the government that its action, besides being unfair to millions of investors, may also lead to panic selling in the share market.

Another round of meetings between senior bureaucrats and stock exchange chiefs is expected soon. No dates have so far been mentioned.

Parekh said brokers and buyers were saddled with shares sold by Mehta and others worth hundreds of millions of rupee.

"It's difficult to put an exact figure," said broker Sunil Kothari. "It would be between one billion and two billion rupee."

Bombay brokers said they expect the market to rise when trading resumes because of low carry- forward charges fixed on Saturday.

After the failure of Monday's meeting the strike may continue till the government relents.

Another reports adds: Finance Minister Manmohan Singh — a driving force behind India's market reform — denied any involvement in the country's massive stock scandal, the United News India (UNI) news agency said.

"My conduct is an open book, and I have not joined the government for money or to enrich my family and friends," UNI quoted Singh as telling a news conference in the southern state of Kerala.

No one has accused Singh of involvement by name, but George Fernandes, a member of the opposition Janata Dal, has alleged that four cabinet ministers were involved. He has refused to name them.

UNI also quoted Singh as saying that opposition demands for his resignation over the Bombay securities scandal were just politics.

They "had tried all sorts of tricks" to derail his sweeping liberalisation of India's traditionally socialist economy, suggesting that the resignation calls were another.

The Central Bureau of Investigation (CBI) has arrested broker Harshad Mehta and 10 others, including five bankers and charged them with criminal conspiracy and fraud in feeding money illegally from interbank securities into the bourse.

"If anyone has any evidence against me, let him pass it on to the CBI," Singh was quoted as saying.

The rightwing Bharatiya Janata Party (BJP), India's main opposition party has said Singh should resign on moral grounds over India's worst financial scandal.

The CBI has said 20 billion rupee was involved in the illegal transactions.

# Top bankers urge stricter financial market control

BASEL (Switzerland), June 15: The world's top central banker called on Monday for stricter supervision and regulation of financial markets to avoid a repeat of excesses that have prolonged the world economic slowdown, reports AFP.

Addressing the 62nd general assembly of the Bank for International Settlements (BIS), Bengt Dennis, the Chairman of the Board of Directors and President, said they could no longer rely on market discipline to correct severe imbalances in financial sectors.

He reproved policy makers and central bankers of the Group of 10 industrialised countries, and Switzerland, who make up the BIS, for being slow to recognise the pitfalls of financial deregulation in the late 1980s.

"We may have been too complacent about our policy successes during the past decade," Dennis said. "As we focused on our relatively good inflation and growth performances, we were slow to realise that imbalances were building up in some financial sectors."

The pervasiveness and the duration of economic weakness and in some countries the serious decline in consumer and business confidence had come as a "major surprise" to them, he said.

At the beginning of 1991 they had expected output in industrial countries to rise by a little over two per cent, instead economic activity slowed down and it grew by less than one per cent.

Dennis said policy makers and central bankers had their own share of responsibility for the present difficulties.

Looser credit, encouraged by financial innovations, had fuelled asset prices and indebtedness, leading to severe problems for lenders and borrowers when economic activity had slowed and prices had collapsed.

Deregulation and financial innovation had caused central bank authorities serious problems. They had been caught in a dilemma because tighter monetary policy to curb speculation would have harmed economic activity or was inconsistent with exchange rate policy.

The key task now facing banks was the restructuring of household and corporate balance sheets, Dennis said.

"But the fundamental lesson to draw is that financial discipline is essential to prevent excesses in financial markets."

He stressed: "neither macro nor micro policy can be expected to be successful in promoting financial stability."

Better disclosure requirements and capital standards, and a credible commitment from the authorities to keep intervention to the required minimum in the event of turmoil, were now needed, he said.

Meanwhile, BIS Director General Alexandre Lamfalussy said in the annual report out Monday that there is growing evidence that the United States is moving out of recession, and that other countries would follow in its wake.

The general pessimism about the imminence of a worldwide slump or financial crises was therefore unwarranted, he said.

But he added: "what is much less predictable is the pace, shape and breadth of recovery" because growth had been muchweaker than expected.

### Time is money

NEW DELHI, June 16: Local telephone chats can now cost a bundle in many cities in India, talkers discovered Tuesday, reports AP.

For years, all local calls in India cost the same, no matter how long you talked.

Now, in dozens of cities, callers get charged for every five minutes of their call. A 30-minute gab, for instance, is considered six local phone calls, which each cost a rupee (5 cent).

In India, 90 per cent of the people make brief local calls, the department found in a recent survey. But some people transmit computer data all day on the phone for only one rupee.

Officials said the new rates would reduce the jamming of many city telephone lines and increase the phone company's profits.

But many city residents were angry that the price of calls in rural areas will remain the same because the older non-digital telephone exchanges there have no equipment to measure the time.

KARACHI : Minister of Civil Aviation for Tadjikistan, Matsungoulov Mirzo (R) and Director General of Pakistan Civil Aviation Authority, Air Vice Marshal Anwar Mahmood Khan (L) sign a bilateral air services agreement between the two governments on June 15. — AFP photo

### 'US air fare cut unfair'

PARIS, June 16: Air France Chairman Bernard Attali said Monday that American carrier price cuts leading to an air fare war go beyond reasonable competition, but he said the French airline will fight back, reports AP.

Air France announced its own set of price cuts on Friday, offering 25-35 per cent discounts on flights to Paris originating in the United States.

Delta has lowered Trans-Atlantic fares as much as 45 per cent on first-class, business class and full-coach tickets, discounts matched by American and United Airlines.

Attali, addressing the Anglo-American Press Association, described the US initiative as "very worrisome" and "disloyal." But the vowed that Air France would hand the US carriers "as many blows as we've received" in the tariff war.

Attali argued that US carriers who are boosting their France-bound passenger traffic by 30 per cent this summer, are leading the world airline industry down a disastrous path.

He said Air France considers the latest price cuts to be beyond the limit of reasonable competition, but the French carrier has had to reduce its own fares to remain in the market.

"It's an unequal situation," Attali complained. "For the US carriers, 70 per cent of revenue is domestic. But for Air France and Europeans, it's the reverse — 70 per cent is outside Europe." That makes Transatlantic discounting proportionately less painful for the Americans, he said.

The dispute over capacity promoted France to renounce a bilateral air traffic accord with the United States in April that dated to 1946. The countries officially have one year to conclude a new agreement, but Attali said he expected some progress by year's end.

This year's passenger traffic has started on a sour note, Attali said. Sales in the first five months of 1992 are 20 per cent above year-earlier levels, but the comparison is rendered invalid by the crippling impact last year of the Gulf War.

# Heseltine stresses on single EC market

LONDON, June 16: A single market in the European Community is inevitable, despite the setback caused by the Danish rejection of the Maastricht Treaty, British Trade and Industry Secretary Michael Heseltine said, reports Reuter.

"The momentum towards a single market is unstoppable," Heseltine told a conference sponsored by the Association of British Insurers.

"It is vital to ensure that the single market works and is not diverted by political wrangling."

Besides previously stated priorities of finishing the current round of the General Agreement on Tariffs and Trade (GATT), negotiations for the European economic area and ensuring free trade, Heseltine named two other priorities for when Britain takes over the EC presidency in July.

These would include "the introduction of much-needed competition and transparency into the electricity and gas markets in Europe just as we have done in the UK" and further "liberalisation" of telecommunications, especially telephone services.

Heseltine said insurance directives had also become important in recent weeks.

# Yeltsin announces new decrees for second stage reform

MOSCOW, June 16: Decrees which Russian President Boris Yeltsin released on Monday as he left on a visit to Washington fleshed out his plans to shift the vast country to a market economy, reports Reuter.

The six decrees outline the second stage of Russia's reform after a first stage of tight monetary policy and the freeing of prices at the start of 1992.

Yeltsin also appointed reform supremo Yegor Gaidar as Acting Prime Minister in an apparent attempt to calm fears that recent promotions for senior officials from old Soviet industries meant he was backing away from the painful reforms.

The decrees create new controls for a growing but chaotic market economy taking shape since reform started in January.

They will all come into force by July 1, the date Russia has set to float its currency, the rouble, on the open market for the first time in seven decades.

They reinforce the discredited rouble— the official value of which plummeted from six to the Dollar in spring 1991 to around 110 earlier this year— as the official currency after months of reliance on steadier foreign units.

Exporters have until now been paying duties in European currency units but will be allowed pay them in roubles at the new floating rouble rate.

The decrees give rights to legal private companies, crank up state money-collecting mechanisms and mete out stiff punishments for inefficient and illegal financial practices. One allows private companies to own the land they stand on.

A second changes rules under which companies sell their hard currency earnings back to the government, to fit in with the introduction of the floating rouble rate in July.

Until now, enterprises have had to sell the government 40 per cent of their earnings at a disadvantageous rate of 55 rouble to the dollar. The benchmark Russian central bank rate is 55 rouble to the dollar. The benchmark Russian central bank rate is 85 rouble to the dollar.

Under the decree, enterprises will have to sell the government half their foreign earnings, but the conversion into rouble will be done at the same flat rate to be used for other currency exchanges.

Temporary import tariffs will be reintroduced after a six-month moratorium during the first stage of reform when the government's main aim was to lift all obstacles to putting goods back into the shops.

Now that Moscow is awash with high-priced goods from abroad, the government emphasis has shifted back to collecting state revenue on the country's burgeoning imports.

The decrees ring alarm bells for the tottering state sector including state and collective farms and producers of shoddy consumer goods, and for firm cheating the system with illegal sales.

Financially inefficient state enterprises, official language for those which would not survive without state help, now have to pay their debts within three months or be sold off at 12 bankruptcy auctions at which foreigners can bid.

The decree addresses a key problem facing the state sector — the failure of enterprises to pay their debts to each other. This has played havoc with government attempts to balance books and control Russia's money supply.

# BCCI creditors to appeal against UK Court ruling

LONDON, June 16: A committee representing creditors of the collapsed Bank of Credit and Commerce International (BCCI, CN) said they would appeal against an English High Court judgement approving a controversial compensation plan, reports Reuter.

"A decision has been taken to appeal against the ruling," said Tony Scott, Secretary of the BCCI Depositors Protection Association, which sits on the committee.

The high court on Friday approved the compensation plan backed by BCCI's majority shareholder Abu Dhabi, worth between 30 to 40 per cent to people who lost billions of dollar when BCCI was shut on July 5, 1991 amid allegations of massive fraud.

The compensation plan was negotiated by BCCI's liquidator Touche Ross and backed by the Bank of England.

But it was opposed by a majority of the creditors committee and condemned by some creditors as too little, too late.

"The Vice-Chancellor (the judge who presided over the four-day hearing) has put his commercial judgement ahead of the wishes of creditors... we consider there are grounds to pursue," Scott said.

Around 140,000 creditors in 70 countries lost a total of 25 billion dollar when BCCI was closed. Abu Dhabi would pump in 1.5 billion dollar under its scheme.

But some creditors want it to offer more and say they have legal claims against the emirate which they did not want to abandon without a better deal.

Abu Dhabi's contribution is conditional on all legal claims against it being waived.

Although the judge giving the ruling, Sir Donald Nicholls, gave creditors until Wednesday to appeal, he made it clear on Friday that he though this was the best deal around.

Rejecting the deal would be a gamble and creditors could find themselves committed to upto 10 years of costly litigation against the majority shareholders, he said.

The Luxembourg and Cayman Islands courts must also approve the compensation plan.

A source close to the creditors said earlier that the Luxembourg BCCI creditors committee met privately in the grand duchy on Friday an voted against recommending the plan to the Luxembourg Court, which begins a hearing on the matter on June 25.

### Japan urged to follow EC policies on yen

LUXEMBOURG, June 16: European Community foreign ministers called on Japan to follow policies that would permit the yen's long term appreciation against European currencies, reports Reuter.

Diplomats said ministers, adopting a statement on future EC-Japan relations, followed wording on the yen recommended by the European Commission despite reservations by several member states.

They said that while France had strongly backed the commission's wording, Britain, Germany and the three benelux countries were less than keen on the call for a long-term appreciation of the yen.

The diplomats said these countries feared such a goal might have the opposite effect to the one intended by boosting an already strong Japanese economy and tending to raise European interest rates.

The ministers statement said the EC-Japanese relationship should reflect a balanced approach, seeking to improve EC access to Japanese markets while also strengthening political dialogue and cooperation in areas as diverse as science, social affairs and development assistance.

The ministers expressed concern at the recent deterioration in the EC trade position with Tokyo, including lack of progress in opening some sectorial markets and the slow pace of removing structural impediments to trade.

The statement said the European Commission would carry out regular comparative analyses of the EC's trade performance in Japan and elsewhere.

It said the aim of this was to identify and deal with problems rather than to set quantified objectives for trade.

### Indian export to ASEAN rises

NEW DELHI, June 16: India's exports to the South East Asian region has increased sharply in the first 10 months of 1991-92 starting from April, according to latest data quoted in today's local Press, reports Xinhua.

India's exports to the Association of Southeast Asian Nations (ASEAN) during the period were valued at 19,293 million rupees (756 million US dollars), or 54 per cent more than that in the same period in the 1990-91 year.

The deficit in India's trade with ASEAN has thus declined to 3,425 million rupees (134 million US dollars) as against 10,646 million rupees (417 million dollars) in 1990-91.

The increase of India's exports to ASEAN countries assumes importance as New Delhi has taken the neighbouring Southeast Asian as one of the priority areas for expanding economic and trade cooperation in its trade strategy.

### Russia to issue gold coins

MOSCOW, June 16: The Russian government has decided to issue high-denomination gold coins to ease a paper money crisis caused by spiralling inflation, Interfax news agency said on Monday, reports Reuter.

Russian Central Bank officials have labelled the plan a political ploy and economically unsound, Interfax said.

Inflation spun out of control after most of the prices were freed from state control this year in the first stage in the transition from a centrally-planned to a free-market economy.

Government presses are working flat out to print banknotes needed to pay salaries, but cannot keep pace with inflation.

Two years ago the biggest banknote was 100 roubles. Now, 5,000-rouble banknotes are ready for issue next month.

Despite a switch to higher denominations workers in some regions have been unpaid for months.

# *US can learn from Third World health programmes*

WASHINGTON, June 16: The United States can learn valuable lessons from public health and prevention strategies adopted by countries in the developing world to combat the spread of disease, according to a public health official, says a USIS press release.

The suggestion was made at a press briefing held June 15 in conjunction with the annual conference of the National Council for International Health, attended by over 1,300 medical and public health professionals from around the world.

According to Judith Kurland, commissioner of health for Boston, Massachusetts, and conference co-chairwoman, poor and moderate income countries like Costa Rica, Jamaica, Sri Lanka and Malaysia face health threats from communicable disease, bad sanitation and inadequate nutrition.

"Yet by emphasizing prevention and public health ... they often spend their health budgets more efficiently and care for all their citizens more effectively than we do," she said.

Kurland pointed out, for example, that the United States now immunizes only 57 per cent of its two-year-old children, has few large-scale vaccination campaigns, and often fails to immunize unvaccinated children when they come into hospitals for other reasons. In 1990, this neglect led to a measles epidemic that infected 12,000 children in California and killed 55.

By contrast, Kurland said, during the 1980s the United Nations International Children's Emergency Fund (UNICEF) used wellpublicized vaccination campaigns to immunize 80 per cent of all children in developing countries.

"A similar effort here would save children's lives and avoid the needless expense of treating preventable disease," she said.

Kurland said that Oral Rehydration Therapy, or "ORT," is another example of a public health technique that has had great success in the developing world. ORT, which uses water mixed with sugars and salts to treat dehydration from acute diarrhoea, saves millions of children every year.

At present, American doctors hospitalize over 200,000 infants per year for dehydration," she said. "Every year this adds about 500 million dollar to the US health bill. In the vast majority of cases, Oral Rehydration Therapy at home or in an emergency room would be equally effective.

"Thus, without compromising our high standards of hospital care and physician training, we can use public health to prevent diseases before they start, save money and free doctors to concentrate on more complex illnesses," she added.

At the same time, health officials reported, health care in the United States emphasizes hospital stays, medical specialists and pharmaceutical drugs. While the quality of these services is the highest in the world, they cost so much that millions of uninsured poor and middle-class Americans are shut out of the health care system, they said.

According to a conference policy paper, entitled "Bringing International Health Back Home," the United States is the only industrialized country, with the exception of South Africa, where job loss means a loss of health benefits. Numerous Third World countries have established policies to provide universal health care at low or reasonable cost to users, the report added.

"The US is only beginning to debate the adoption of an equivalent form of health coverage," it said. "It is ironic that the US development assistance programme has provided support for national health programmes without having either a model or commitment to such coverage for its own citizens."

According to the report, while the United States spends 2.2 times as much per capita on health care as the average for 31 Western industrial nations, it ranks 20th in life expectancy for men and 21st in infant mortality rates.