BRIEFS

Mehta freed on bail, re-arrested

NEW DELHI, Aug 28: A Bombay Court Thursday ordered the release on bail of the main accused in India's bank scandal, but he was re-arrested soon after on other charges, the Press Trust of India (PTI) said. Harshad Mehta was re-arrested by Federal Revenue officials from the Enforcement Directorate on the charges of violation of foreign exchange regulation laws soon after he emerged from the court late Thursday, PTI said. Earlier Special Judge S N Variava ordered the release of stock broker Mehta, 84 days after his arrest in Bombay city on charges of masterminding the 1.3 billion dollar scam, PTI news agency reported, says AFP.

Economic recovery in Romania expected

BUCHAREST, Aug 28: Romanian Prime Minister Theodor Stolojan said he was confident of economic recovery prospects despite grim half-year performance figures. "Romania has everything it needs to attain economic growth, by fostering reforms which include a large-scale restructuring of the economy," he told Bucharest Radio in an interview. A government report issued Friday shows a continuation of the economic decline which has accompanied Romania's efforts to switch to a free-market system after the collapse of communist rule in December 1989.

NAFTA worrying Philippines

SINGAPORE, Aug 28: The new North American Free Trade Agreement (NAFTA) is worrying the Philippines because Mexico is a direct rival for vital investment, Foreign Minister Roberto Romulo said. "It will be of concern when you consider Mexico is another developing country with all the attributes and disadvantages that we have, "Romulo told reporters during a visit here. "If it does work out, (NAFTA) may extend to other Latin American a countries such as Chile and that makes it worrisome to the Philippines," he said. He added Mexico could divert investment from Southeast Asia not just the Philippines, reports Reuter.

Dhaka, Beijing for balancing trade

BEIJING, Aug 28: Bangladesh and China Thursday underlined the need for adoption corrective measures to balance the trade between them which now weigh heavily against Bangladesh. The consensus between the two countries was reached at the seventh meeting of Bangladesh and China Joint Commission which began at the Ministry of Foreign Economic Relations and Trade here this morning. The Bangladesh side at the meeting was headed by Enam Ahmed Chowdhury, Secretary, External Resources Division while the Chinese side was led by Vice Minister for Foreign Economic Relations and Trade Tong Zhi Guans, reports BSS.

'Russia must protect key sectors'

MOSCOW, Aug 28: Russia must protect key sectors of its ailing economy as it moves towards the free market, a new member of the Russian government said. Itar-Tass news agency quoted First Deputy Prime Minister Vladimir Shumeiko saying the government needed to restructure industry and ensure economic reforms were irreversible. But state protection for important firms was the only way to stop the fall in production. We cannot wait for the market to regulate all processes, he said, reports Reuter.

HK tycoon plans to invest in China

HONG KONG, Aug 28: Hong Kong billionaire Li Ka-Shing plans a 10 billion yuan (1.9 billion US dollar) property project in Shenzhen, the showcase of China's free-market reforms, a pro-Beijing newspaper said on Wednesday. Wen Wei Po quoted a Shenzhen official as saying Li had started talks with the municipal government over the project, the biggest in the history of the special economic zone bordering Hong Kong, reports Reuter.

Fresh Gulf War fear creates panic, oil prices rise

LONDON, Aug 28: Oil prices rose this morning on fears that any hostilities between US led allies and Iraq might threaten supply of Middle East crude, reports Reuter.

London October futures for the world's benchmark crude, North Sea brent blend, touched an early high at 19.86 US dollar per barrel which was 12 cents above Wednesday's close.

The flashpoint is the potential threat to production from the Persian Gulf, said Peter Gignoux, head of the London energy desk at Smith Bareny, Harris Upham.

Iraq's own exports are already shut in by a UN embargo which was imposed when it invaded Kuwait in August 1990.

But the market is wary just in case Iraqi President Saddam Hussein lashes out against Gulf suppliers after the imposition at 1415 GMT of a no-fly zone over southern Iraq. Saudi Arabia and other Gulf producers provide one quarter of the world's oil.

Brokers said no body in the London market wanted to go short ahead of a long British holiday weekend.

Long-term however, market participants and oil analysts said new action against Iraq may be bearish for oil.

Analysts noted that President George Bush made clear yesterday that he still hopes for Saddam's downfall so that he can work with a new leadership in Baghdad.

That would be likely to lead the UN to lift its embargo on Iraqi exports which could create a glut unless Saudi Arabia and others in OPEC (the Organisation of Petroleum Exporting Countries) cut back on their on production quotas.

Several OPEC members turned up their taps to offset oil shortages after Iraq invaded Kuwait.

Saudi Arabia now produces more than eight million Barrels Per Day (BPD) compared with a 1990 quota of 5.4 million BPD. But returning to the situation before the Iraqi invasion will not be easy.

Saudi Arabia is now as short of cash as everyone else after incurring debt worth 56 billion dollar, largely in the Gulf War.

OPEC ministers next meet in Geneva on September 16 when Iran, another major player, says its priority is better prices. Jitters about Iraq aside, the market is weak at present.

The sluggish global economy has slowed an expansion of US and European demand for oil products.

Refiners are making less money and are wary of stocking too much crude oil.

Stocks surge, dollar lower in Tokyo

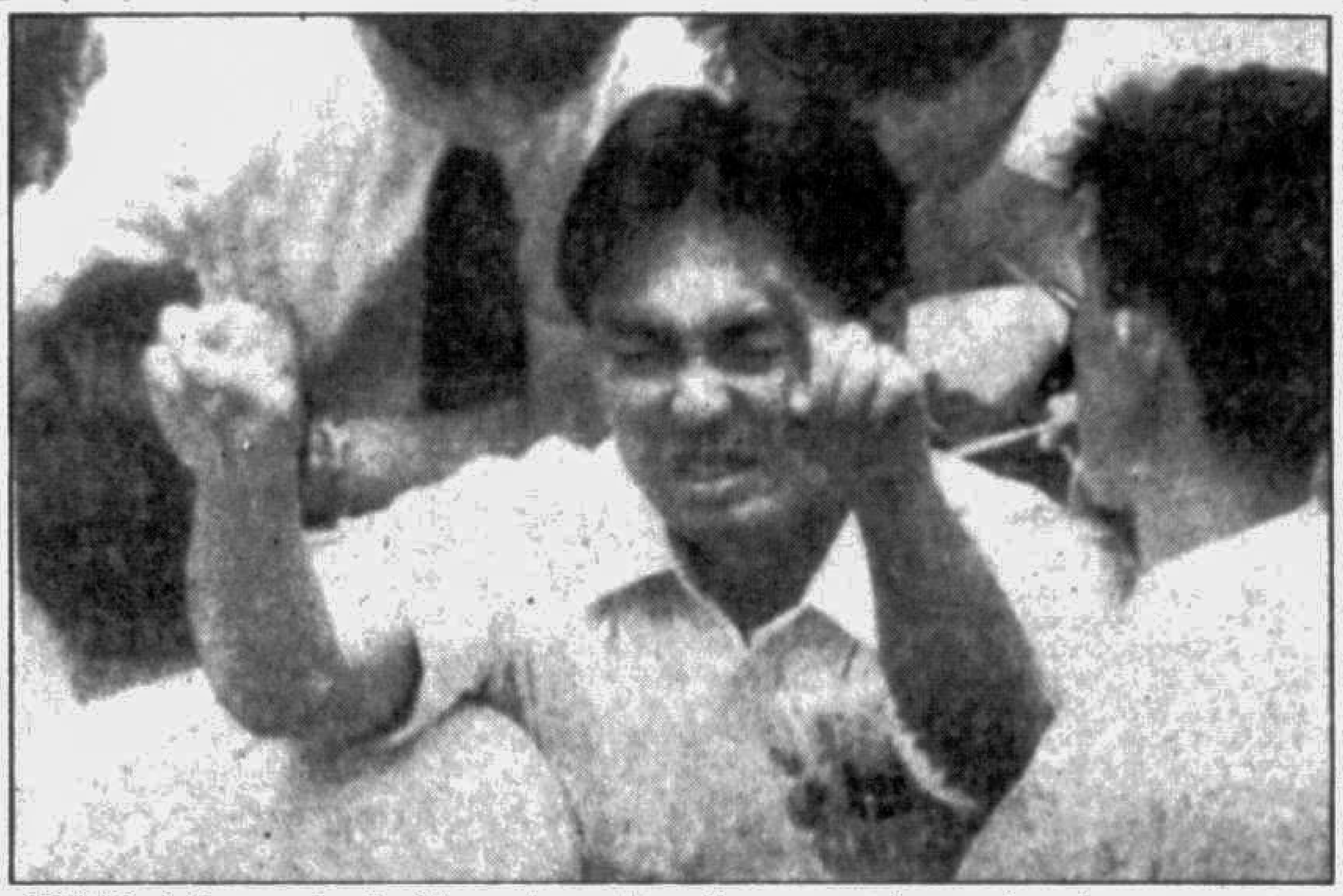
TOKYO, Aug 28: Prices on the Tokyo Stock Exchange surged in heavy trading Friday in anticipation of a government package of economic measures. The US dollar fell against the Japanese yen, reports AP.

The 225-issue Nikkei Stock Average gained 415.79 points, or 2.37 per cent, closing the week at 17,970.79.

On Thursday, the index jumped 1,013.35 points, or 6.13 per cent, on expectations of major economic measures to be announced by the government later Friday.

The measures were expected to total more than 10 trillion yen (81.3 billion dollar).

The broader Tokyo Stock Price Index of all issues listed on the first section rose 39.52 points, or 2.95 per cent, to 1,379.97. The TOPIX gained 63.07 points, or 4.94 per cent, on Thursday.



TOKYO: A floor trader flashing a sign to his colleagues amidst a trading frenzy as traders rush to a dealing counter during the afternoon session at the Tokyo Stock Exchange August 27. The Nikkei Stock Average soars and ended the morning session at 17, 452.03 yen, up 910.38 yen from Wednesday's close. — AFP/UNB photo

US claims $ 1 lakh for violation of export laws

WASHINGTON, Aug 28: Iran Air has been denied US export privileges for two years and fined 100,000 dollar for violating US export control laws, the US Commerce Department said on Thursday, reports Reuter.

It said, the airline shipped militarily-sensitive US-made signal generators from Germany to Iran without first getting a re-export licence from the Commerce Department.

The Department said the alleged offence occurred in 1985 but took five years to resolve because of the complexity of the issues and the lengthy administrative procedures required.

A lawyer for Iran Air, Thomas Whalen, said charges were not filed until 1990, only two days before the statute of limitations on the alleged offence was to expire.

Whalen, who said Iran Air would appeal the ruling in federal court, also said the case had been resolved in Iran Air's favour by administrative law judges three times but that their decision was overruled by commerce officials.

He said, the appeal would also be made on grounds the maker of the generators mistakenly did not attach notices to the generator showing they required re-export licences.

The department said the 100,000 dollar fine was the maximum penalty for a violation of national security control laws.

Japan's unemployment rate stands at 2.2 pc

TOKYO, Aug 28: Japan's seasonally-adjusted unemployment rate in July stood at 2.2 per cent, up 0.1 percentage points from June, the management and coordination agency said Friday, reports AFP.

The rate has moved between 2.0 to 2.2 per cent since June 1989. The number of unemployed in July was 1.34 million, up 10,000 or 0.8 per cent from one year earlier, the agency said.

The size of Japanese workforce, including unemployed people, stood 66.14 million, up 380,000 or 0.6 per cent from July last year, it said.

The male workforce totalled 39.2 million, up 1.0 per cent and the female workforce 26.94 million, down 0.1 per cent.

The agriculture and forestry sectors accounted for 4.21 million, down 3.7 per cent from a year earlier, construction 6.26 million, up 4.0 per cent, manufacturing 15.78 million up 1.0 per cent and services 14.59 million, down 0.1 per cent, the agency said.

It did not give the number of self-employed or of people engaged in family businesses.

Meanwhile, the labour ministry said in a report the ratio of job offers to job seekers July stood at a seasonally adjusted 1.04 — the same as for July 1988 — meaning there were 104 openings for every 100 people looking for one.

The ministry said the ration was down 0.04 percentage points from June, making this first time in four years it had fallen below 1.05, largely reflecting the sluggish economy.

Since July 1988, it has floated between 1.04 and 1.47.

A separate report released by a private research group Thursday said Japan would need 10 million extra workers by 2010 if the country was to maintain three per cent annual economic growth through the 1990s and two per cent growth in the first decade of the next century.

The survey, conducted by Recruit Research Co to forecast of labour supply and demand between 2000 and 2010, assumed annual productivity growth through technological innovation would fall to 1.62 per cent in the coming decades from 2.9 per cent in 1980s.

Under such conditions, the report estimated economic growth of 2.5 per cent each year in the final decade of the century and 1.5 per cent in the following decade would be the highest possible without creating a labour shortage.

US bank signs export credit accord with Russia

WASHINGTON, Aug 28: The US Export-Import Bank signed agreements Thursday covering 102 million dollar worth of loans to Russia, says AP.

The government bank will not actually lend the money, but will guarantee repayment to the Bank of New York, Midland Bank and a German lender, the Westdeutsche Landesbank.

The loans will enable Russian companies to buy US machinery to produce auto pistons and batteries, computer systems, training systems for nuclear power plants and equipment to manufacture prefabricated plastic building panels.

Signing of the agreements by the bank's Vice Chairman, Eugene K Lawson, will open the way for money to be paid out But Tim O Leary, a bank spokesman, said he could not estimate when it will be available.

Russia's absence hits Indian tea market

GUWAHATI(India), Aug 28: Tea prices dropped sharply at the latest auction in the north-east city of Guwahati as Russia, India's biggest, export market, bought nothing after running out of credit, brokers said, reports Reuter.

"We have lost up to seven rupee on every kg of tea sold, on average, said broker Gautam Chatterjee of J Thomas and Co's office in Guwahati, one of India's two biggest auction centres.

That's between one-fifth and one-sixth of the selling price before the crash. That's a lot of money lost.

Brokers said Russia had bought only 15 million kg so far this year against a promised 60 million.

Under a 1992 trade protocol, India had extended a credit of 85 million US dollar to allow Russia to buy that amount.

The Russians had been buying between 600,000 and 700,000 kg of tea every week at the Guwahati Tea Auction Centre, the world's largest handler of good quality CTC teas.

But last week the Russians pulled out of the market after exhausting the first instalment of 32 million US dollar, brokers said.

Traders said India was not willing of release the rest of credit as Russia had failed to deliver on commitments to supply petroleum and other products to India under the trade protocol.

Guwahati Auction Centre Secretary Jayanta Kakoti said that after the Soviet Union's collapse, Russia's entry to the market had reassured the Indian tea industry. You can understand why planters are panicking, Kakoti said, planters agree.

If a major buyer like Russia has picked up only one-fourth of its buying commitments and then said it has no money left, panic is only to be expected, Indian Tea Association Chairman Hemen Barooah said.

At the last three weekly Guwahati auctions beginning August 5, Russia bought 668,000 kg, 360,000 kg and then just 4,500 kg on August 19. They bought nothing at Wednesday's auction.

That's the graph to disaster, said Surojit Phukan of the Assam Tea Brokers Ltd.

Since the 1988/89 financial year ending March, tea prices rose steadily due to increasing domestic demand and steady foreign markets like the Soviet Union, which had bought about 110 to 115 million kgs a year on average.

Prices of Indian CTC verities rose steeply to 42.92 rupee per kg by 1990/91 from allow of 26.14 in 1988/89.

Orthodox teas rose to 46.87 rupee per kg from 27.77 during the same period. After the Soviet collapse in December last year, Indian tea prices fell by an average two to four rupee.

The traders said prices or Orthodox tea would settle around 35 rupee per kg unless the Russian re-entered the market.

Orthodox was the Russians favourite tea. The better gardens would still be making marginal profits with that kind of price, said Guwahati Tea Research Centre director Aroon Sharma.

Traders said 1992 exports might fall to a low of 160 million kg against earlier projection of 190 million because of the poor Russian buying. India exported 202.9 million kg of tea in calender 1991.

Indian bond scam

CBI to question central bank chief

NEW DELHI, Aug 28: Federal police probing India's billion-dollar financial scandal said on Thursday they would question central bank chief S Venkitaraman, although they did not suspect any wrongdoing.

A spokesman for the Central Bureau of Investigations (CBI) told Reuter that Venkitaraman, head of the Reserve Bank of India (RBI), had spoken frequently by telephone with a former senior official accused of corruption.

"We have found that Venkitaraman was often talking on the telephone with V Krishnamurthy. They were both senior officials and we suspect nothing. But we have to establish what they discussed," the spokesman said.

The CBI arrested Krishnamurthy, a former member of the top-level Planning Commission, earlier this month and accused him of corruption involving illegal money transactions with broker Harshad Mehta.

"Big bull" Mehta is the key suspect in a scandal that featured illegal diversions of money from interbank dealings in government securities to the then booming Bombay Stock Market, investigators say.

Mehta was arrested in June and been held in jail ever since.

The CBI spokesman said investigators were also expected to question Deputy RBI Chief K Janakiraman about his contacts with Krishnamurthy, who was also a former Director of a financial company being investigated in the 1.2 billion dollar scandal.

Opposition politicians have frequently called for Venkitaraman's resignation, accusing the RBI of failing to supervise banks properly.

Finance Minister Manmohan Singh, who has rejected opposition demands for his own resignation, has refused to contemplate firing Venkitaraman.

S African entry to world debt market unlikely

FRANKFURT, Aug 28: South Africa, its economy mired in recession and its political reforms deadlocked, does not expect to return to the world debt markets for some time to come, a South African Finance Ministry officials said, reports Reuter.

"We will not be coming to the market for a while," the official, who be coming to the market for a while, the official, who was visiting Frankfurt told Reuter.

He did not want to be indentified.

The South African state electricity utility Eskom Ltd said last week it would not make any new international debt issues until the current political instability ended and a multi-racial interim government had been installed.

"The South African government's exile from international bond markets ended nearly one year ago, but key state borrowers have already signalled new issues are on hold."

Bankers who watch the South African economy said continuing violence and the breakdown of political talks meant the price of South African borrowing would rise when the government did eventually return to the market.

They noted that South Africa had paid premium of 175 basis points over benchmark issues in recent bonds. "It would have to be 200 points now," one banker said.

The Finance Ministry officials said a decision on the timing of any future issue could come at the end of September.

Eskom said last week that initial plans for a dollar 150 to dollar 200 million issue had been put on hold because of concern about mass protests and the suspension of democracy talks.

It had wanted to bring the paper in September.

South Africa returned to the international bond market last September with a 300 million mark issue which saw such strong demand that the volume was raised to 400 million within hours of the launch.

Other mark issues and one bond in Ecus followed. But the Finance Ministry official noted South Africa had now been out of the market for several months.

Pak foreign reserves nearly double

KARACHI, Aug 28: Pakistan's foreign reserves have nearly doubled in the past year, boosted by ambitious economic reforms and a liberalisation policy, reports Reuter.

State (Central) Bank of Pakistan (SBP) statistics show reserves rose to 1.00 billion US dollar on July 30, compared with 917 million US dollar in June and 505 million US dollar in July last year.

And reserves have quadrupled from April 1991's total of 246 million US dollar, according to SBP deputy governor Sibghatullah. We have done very well, he said in an interview yesterday.

In April last year Pakistan removed all restrictions on the free movement of foreign currency and allowed its citizens to open foreign currency accounts.

At the same time, it allowed foreigners to buy and sell stocks and to remit profits and dividends in foreign currency.

Arif Habib, President of the Karachi Stock Exchange (KSE) said foreign players have opened at least five funds and invested 200 million US dollar in Pakistani stocks since June 1991.

The removal of restrictions sparked a boom in the stock market and KSE capitalisation rose 166 per cent to 182.62 billion rupee in December from 68.43 billion rupee in June 1991.

Capitalisation currently stands at 195.72 billion rupee. A chief factor in the rise, according to local bankers, was the popularity of foreign currency accounts among Pakistans.

This has been very successful, Sibghatullah said, of the new policy allowing anyone to open foreign currency accounts.

The rise in reserves is occurring at a time when Pakistan's trade deficit is widening. The deficit rose sharply to a provisional 230 million US dollar in July, compared with 49 million US dollar in June and 385 million US dollar in July 1991, according to the Federal Bureau of Statistics.

On a year-on-year basis, the deficit rose to 2.32 billion US dollar in fiscal 1991/92 (July-/June), compared with 1.48 billion US dollar in 1990/91.

But the growing deficit had not impeded the growth of reserves, dealer Nasir Ali Shah Bukhari of KASB and Co said.

He attributed this partly to the policies of local banks, led by the Central Bank, to introduce numerous foreign currency growth schemes and certificates that pay handsome profits.

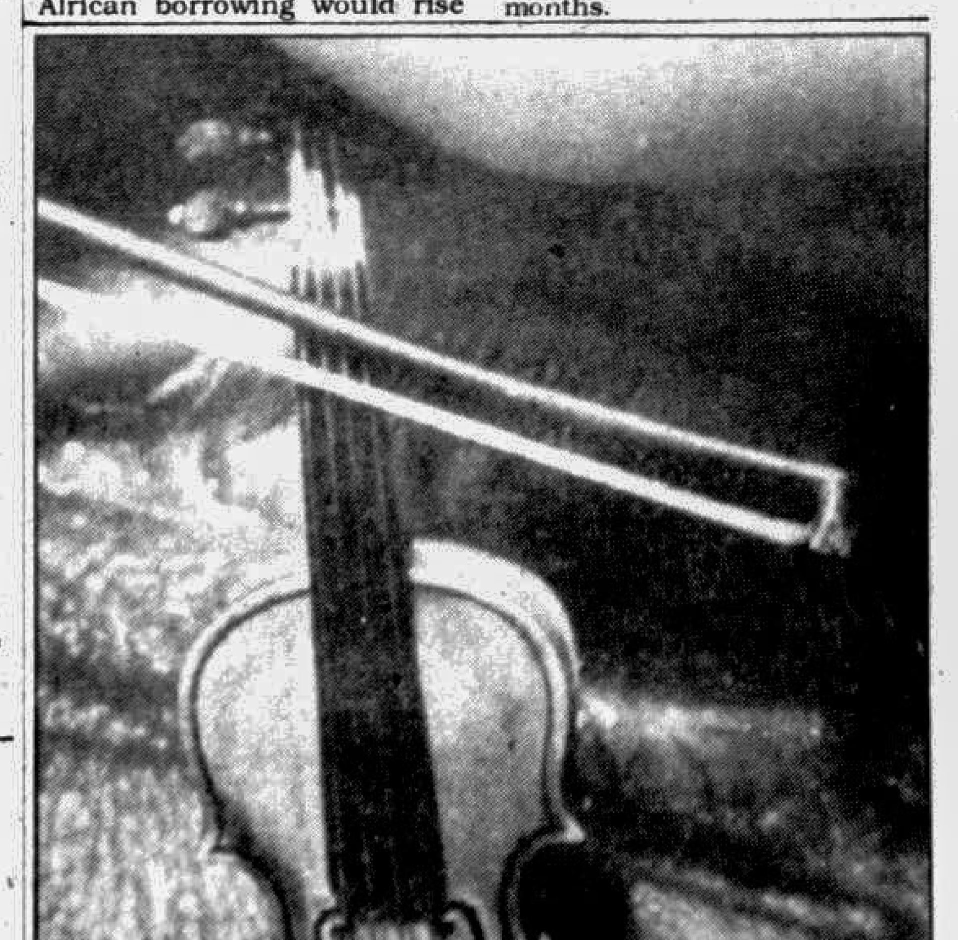
Such scheme is the foreign currency bearer certificate denominated in the dollar, sterling, mark and yen, which are exempt from both income and wealth tax.

Habib Bank Ltd pays 7.75, 11.00, 10.50 and 7.00 per cent interest on certificates in the dollar, sterling, mark and yen respectively, a spokesman said.

Local currency loans are easily available against the security of these certificates, said Ali Mohammad Memon, a Manager at the National Bank of Pakistan.

It is very helpful to the industrialists and traders.

The certificates are different from foreign exchange bearer certificates, which carry a 17.3 per cent interest rate on three year's maturity.



SWITZERLAND: Just 3.55 centimetres (1.4 in) long, what is claimed to be the world's smallest violin fits August 26 in the eye of its producer Cornel Schneider. Skilled artisans in kleinluetzel near Basle needed 70 hours to produce violin, bow and box, using a dentist's drill, scalpel and home-made mini-tools. The violin has a hollow space but its sound is too high for human ears. Its price is about 2,500 Swiss franc (2000 dollar). — AFP/UNB photo

G-7 may agree on another deferral of Russian debt

TOKYO, Aug 28: Group of Seven (G-7) nations are unlikely to be able to strike an effective deal to curb the marks current strength, senior Japanese economists said Thursday, reports Reuter.

However, they will probably agree on another deferral of Russian debt at their weekend meeting in Paris, they said.

Deputy finance ministers of the G-7 — Britain, Canada, France, Germany Italy, Japan and the United States — are expected to focus on ways to rein in the mark and to revitalise the fragile world economy and ailing stock markets.

But Russia will be in Paris for talks with G-7 nations on deferring debt repayments as well, Russia's Deputy Prime Minister Alexander Shokhin said on Monday.

The G-7 is likely to grant Russia another deferral on repaying its official debt, simply because the only other option is to cancel it, economists said.

Yet another roll-over of the Russian debt deferral would be no surprise to creditor nations, given current economic conditions in Russia, said Seiichiro Sato, Assistant Manager at Daiwa Institute of Research Ltd.

The foreign exchange issue, however, will be tougher to handle.

Repeated G-7 efforts to rein in mark advances against the dollar have so far failed, and the dollar has been renewing all-time lows against the mark as investors shift money into higher yielding German securities.

The G-7 will continue to coordinate in an attempt to put the mark strength under control, because it is a benefit to all members, said Richard Koo, Senior Economist at Nomura Research Institute Ltd.

G-7 deputies could agree, confidentially, on timely and massive sales of the mark not only for the dollar, but for other European currencies, currency dealers said.

However, intervention is most effective when it is backed up by monetary policy. Recent G-7 efforts to depreciate the mark have been offset by a German monetary policy which will not let interest rates to fall, economists said.

Regional governors of the Bundesbank, more concerned about hyperinflation (than exchange rates), are likely to stay in control of ... monetary policy, limiting scope for an early rate cut, said Hisashi Inoue, Nikko Research Centre General Manager.

"I doubt if the G-7 is the proper place to discuss the internal power balance of the Bundesbank, Koo of Nomura said.

Another way to ease the currency market tension caused by the mark's strength would be realignment of the European Exchange Rate Mechanism (ERM).

But any decision on realigning the ERM would have to wait until after the French referendum on the Maastricht treaty on September 20, economists said.

If the French reject the treaty, a blueprint for European Community political, economic and monetary union, the mark could be bought further.

British Chancellor of the Exchequer Norman Lamont Thursday said he did not believe any ERM member sought realignment.

Russia and the G-7 are likely to discuss another 9-day roll-over of debt deferrals as well as possible deferrals of debt contracted after January, 1991, economists said.

The G-7 may also consider deferral of interest on debts which Russia has so far failed to pay.

Western creditor states have agreed to extend to September 30, deferrals of repayments of principle, totalling some 3.6 billion dollar. This official debt, owned by the ex-Soviet Union, was contracted before January 1991 and falls due this year.