BRIEFS

Rouble drops against dollar

MOSCOW, Sept 18: The rouble slipped slightly on Thursday in heavy trading, dropping to 205.5 to the dollar on Moscow's tiny Interbank Currency Exchange (MICE). The volume of sales fell to 49.16 million from 50.32 million on Tuesday, when the rouble fell to 204 to the dollar from the previous Thurs-day's 203.

A MICE spokesman said the week's total sales volume was a record for the exchange, reports Reuter.

Arab League for liberal economy

TUNIS, Sept 18: Arab League Secretary-General Esmat Abdel-Maguid urged Arab Finance and Economy Ministers Thursday to liberalise their economies. His call was backed by Tunisian Prime Minister Hamed Karoui, whose country is implementing a reform programme drawn up with the help of the World Bank. "Economic reforms are an insistent need for several of our countries while some of them have done positive and practical steps in that way." Abdel-Maguid told the Ministers at a meeting, reports Reuter.

Hanoi allows visitors carry $300

BANGKOK, 18: Vietnam now allows travelers to bring foreign currency worth up to 3,000 dollar into the country without declaring it, the official Vietnam News Agency reported Friday. The State Bank of Vietnam ruled that, effective this past Tuesday, both Vietnamese and foreigners may import and export the sum without listing it on a customs form or obtaining special permission, said the report, monitored in Bangkok. Travelers had been required to declare all money in their possession upon arrival, and officially were supposed to account for all their spending in the country upon departure, reports AP.

Singapore rubber market quite

SINGAPORE, Sept 18: Trading on the Singapore Rubber market was quiet Friday with traders sidelined due to the European currency crisis. The peening prices at the start of the first session of trading were unchanged from the one O'clock levels with caution being exercised by all concerned. European traders, still reeling from the confusion in the currency markets, tended to sell into the paper market, reports AFP.

UK budget deficit reaches $5.52 b

LONDON, Sept 18: The British public sector borrowing requirement was 2.906 billion pounds (about 5.52 billion dollar) in August, the Treasury said on Wednesday. Analysts had expected borrowings to total 3.5 billion pound. The deficit in July was 669 million pounds on a revised basis, from 562 million pound announced earlier. Revenue from privatisation totalled just seven million pound in August, compared with 1,661 billion pound in July when a second instalment of payment for privatised BT (telecommunications) shares was made, reports AFP.

Portugal won't devalue currency

LISBON (Portugal) 18: Portuguese financial authorities Thursday denied rumors of a possible devaluation of the escudo against other European Community currencies. A Finance Ministry statement stressed the, "confidence of the authorities in the nominal stability of the escudo." The statement was released after Finance Minister Jorge Braga de Macedo met central bank directors and commercial bankers for talks that focused on the turmoil in European exchange rates. State Treasury Secretary Jose Braz told reporters, "in the current circumstances I don't see any advantage in devaluation, reports AP.

Pakistan foreign reserves fall

KARACHI, Sept 18: Pakistan's foreign reserves fell to 932 million US dollar in the week to September 3, compared with 1.05 billion US dollar in the week before, the State (central) Bank of Pakistan said. One banker said a rising import bill caused the fall. Imports rose to a provisional 738 million US dollar in August, compared with 665 million US dollar in July and 724 million US dollar in August, 1991, reports Reuter.

EC leaders battling to contain currency chaos

BRUSSELS, Sept 18: EC leaders rallied on Thursday to defend the Exchange Rate Mechanism (ERM), battered by the withdrawal of the pound and the lira and threatened with more collusions by France's referendum on the Maastricht Treaty, reports Reuter.

Just three days before France votes on the future of European Community political and monetary union, top EC finance and central bank officials were forced to agree that Britain and Italy could cut their currencies free from the ERM's bonds.

The EC monetary committee, meeting through the night in an emergency session in Brussels, also sanctioned devaluation of the Spanish peseta by five per cent.

But by late on Thursday, markets had turned their fire on the Danish crown and the Irish punt, whose ERM parities were left unchanged in the realignment.

Independent economists raised doubts about the very survival of the ERM — a grid of exchange rates which until Thursday restricted the amount by which all EC currencies except the drachma could move against each other.

But politicians were determined to protect the mechanism — embryo of the single currency envisaged by the Maastricht Treaty — and said Wednesday's chaos showed monetary union was needed more than ever.

"Let's not ask more of the European monetary system than it can provide," European Commission President Jacques Delors told French radio.

"It has already done a lot and it will do more, but only through common disciplines and a single currency will we be able to avoid events like those we have experienced."

Belgian Finance Minister Philippe Maystadt took a similar line, saying a single currency was clearly needed to complement the EC's barrier-free single market.

Thursday's shake-up in the ERM was the most radical in the 13-year-history of the European Monetary System supposed to limit fluctuations in currency values.

The changes were a dramatic symbol of the disarray into which the EC has fallen this year since Danes voted in June against ratifying the Maastricht Treaty.

The popular backlash against the community has spread to France, where a strong "no" campaign has run neck and neck with the "yes" camp, including most of the political establishment, ahead of Sunday's referendum.

The prospect of the French killing off monetary union — and the discipline that it imposes on the monetary and budgetary policies of EC governments — brought turmoil to currency markets already stretched by Germany's high interest rates.

Central banks spent billions of dollar in a vain attempt to hold sterling within its ERM limits before the British government reversed policy and allowed it to devalue.

The strains on financial markets were reflected in tension between EC governments.

A British minister accused the German Bundesbank of undermining sterling instead of defending it. And a British attempt to have the entire workings of the ERM suspended was firmly slapped down by Bonn and its partners.

A victory for the "no" campaign in Sunday's referendum would bring fresh turmoil to the markets and reopen the wounds from last year's battles between EC members over Maastricht as they argue over what to salvage from the wreckage of union plans.

Another report from London adds: Prime Minister John Major faced a crisis of confidence in his economic policies on Friday and the pound once again prepared to run the gauntlet of the foreign exchange markets.

Dealers were anxious to know when Britain would return to the European Exchange Rate Mechanism (ERM) which it quit on Wednesday in the worst sterling crisis for 16 years and whether there would be an interest rate cut to stimulate business.

The government has made it clear that it will return to the ERM as soon as conditions allow but such a move is bound to revive deep splits in the ruling conservative party about participation in the mechanism.

Chancellor of the exchequer Norman Lamont saw central plans of his policies and his defence of the pound destroyed by the hitmen of the foreign exchange markets on Wednesday and the government is now struggling to restore its economic credibility.

Our policy is not in tatters. Our policy is to defeat inflation and to get this country on a growth path again with low inflation, Lamont said in one of a series of interviews on Thursday in which he explained why his policies failed.

One of his failed tactics — an interest rate hike to 12 per cent — was revoked on Thursday to bring borrowing costs back to 10 per cent, a relief to businesses which had feared increased borrowing costs could turn recession into slump.

Now they want another cut.

And on Friday there was further sharp criticism of Lamont from the opposition labour party which said the chancellor had squandered 500 million pounds (888 million dollar) on unsuccessfully waging war with the foreign exchange dealers.

The governments' failure to manage the economy has not only cost the country by prolonging the recession and destroying the confidence of our European partners, it has squandered money, said Labour's treasury spokeswoman, Harriet Harman.

In early London trading on Friday the pound was a whisker down on Thursday's close at about 2.62 marks, which compares to its old central ERM rate of 2.95.

The collapse of the pound was a serious blow to the credibility of both Lamont and Major who has based his policy on the twin pillars of keeping Britain at the heart of Europe and a single-minded fight against inflation to avoid a slump.

But there was little sign of an end to the two-year recession, the longest since the 1930s, in economic data released on Thursday showing manufacturing production levels remaining flat and the jobless total still rising fast.

Lamont will attend the international monetary fund annual meeting in Washington this weekend, but his long-term position is still in doubt despite securing the support of the cabinet and explaining his handling of what he called a whirlwind.

He and Major, who was hailed as a saviour when he led the conservatives to a stunning win in the April general election, could face more pressure at the conservative party annual conference in three weeks.

They must have a more credible economic policy firmly in place by then and the French referendum on the Maastricht Treaty for political and monetary union at the weekend will be an important factor in what the government does next.

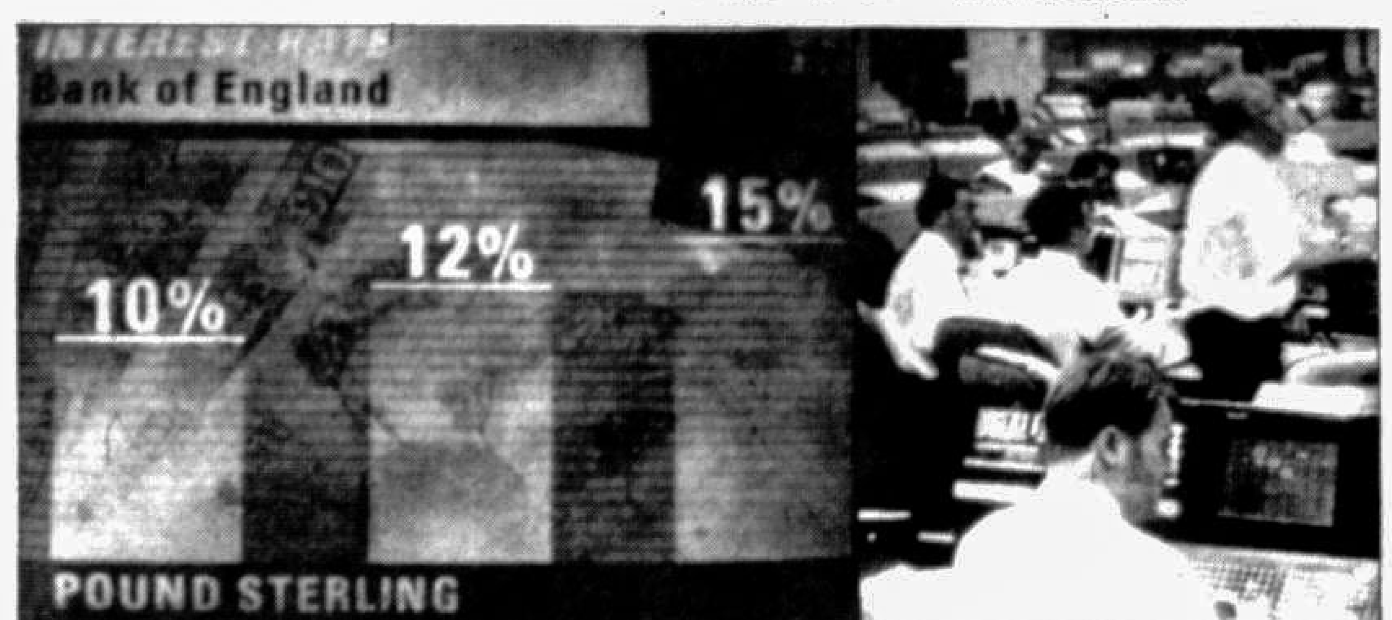
German Chancellor Helmut Kohl was quoted as saying Major told him Britain wanted an early ERM return. Major told me he is thinking of returning soon to the EMS, Kohl was quoted as saying by Italian Foreign Ministry undersecretary Valdo Spini.

But a row between Britain and Germany over sterling's effective devaluation and the reopening of old wounds in the Conservative Party could block any quick move to tie the pound back into the European currency grid.

British officials, who declined to be identified said Lamont clearly felt betrayed by the Bundesbank which is now widely seen — including in Major's government — as having waged a whispering campaign to provoke a sterling devaluation.

"I initially thought that we could possibly join again as early as next week, said Gavyn Davies, chief economist at investment bank Goldman Sachs in London. But the more you think about this, the more difficult it becomes."

FROM BAD TO EVEN WORSE: Britain's Chancellor of the Exchequer Norman Lamont and Prime Minister John Major meet early morning Sept 17 when it was announced that the Bank of England had returned the interest rate to 10 per cent. Other members of the British government were present. — Star TV photo



Intense activities at the London Stock Exchange as European currencies came under pressure. Graph showing fluctuation in rate of interest of pound sterling Wednesday. —Star TV photo

Moscow to double oil, coal prices

MOSCOW, Sept 18: President Boris Yeltsin will sign a decree doubling oil prices in the next few days in the latest stage of the government's radical economic reform programme, a senior economic adviser said, reports Reuter.

Alexei Ulyukayev told a news briefing that the decree would be released "today-tomorrow," a Russian expression meaning "in the very near future."

He said the rise, which had been announced earlier, would mean an approximate doubling of oil prices, now around 1,800 rouble per tonne. Coal prices will rise about 30 per cent.

The move is intended to reverse a steady fall in production and to boost sagging export revenues.

Ulyukayev denied the planned rise would translate into 200 per cent across-the-board inflation, saying the move was likely to trigger "weak" inflation of only about 20-25 per cent.

But the latest price rises will further tighten the screw on hard-pressed Russians, already struggling to survive soaring inflation which followed the freeing of most prices in January.

Acting Russian central bank head Viktor Gerashchenko added to the gloom, saying government spending in October may have to be cut by up to 60 per cent because of an impending budget crisis.

Gerashchenko told Itar-Tass news agency that the government had only received 40 per cent of the income it had budgeted for in the first eight months of the year.

"It is possible that we will be forced to simply stop spending as budgeted and limit ourselves to the money we have received," he said. The budget deficit this year is already estimated to hit 950 billion rouble.

But Ulyukayev offered a ray of hope when he said fuel stocks were higher than last September, helping to allay fears that shortages could leave households short of heat and light during the bitter winter months.

Russia, under pressure from the West to lift controls on energy prices as soon as possible, aims to gradually bring them into line with world level by late 1993.

Earlier this year Yeltsin beat off Western attempts to persuade him to free energy prices earlier, saying Russians could not bear the strain.

Ecuador quits OPEC

QUITO (Ecuador), Sept 18: President Sixto Duran-Ballen announced Thursday night that Ecuador had decided to become the first country to withdraw from OPEC, the Organisation of Petroleum Exporting Countries, reports AP.

Duran-Ballen said Energy Minister Andres Barreiro Vivas, currently at an OPEC meeting in Geneva, had been instructed to deliver a letter to the OPEC leadership "informing them that we are leaving the organisation but will remain as associates."

Ecuador and Venezuela are the only Latin American countries that belong to OPEC.

Industrial states urged to overcome impasse in GATT negotiations

NEW YORK, Sept 18: The major industrial countries should make a unified effort to counter the recession and overcome the impasse in trade negotiations, Pakistan's finance minister told a Commonwealth finance ministers' meeting Thursday, reports AP.

"There is need for bold and concerted action," finance minister Sartaj Aziz told the representatives of 46 Commonwealth nations on the concluding day of their meetings. "I hope that the Commonwealth forum will send out a strong signal in this regard to the annual meetings of the World Bank and the International Monetary Fund" in Washington next week.

New Zealand's finance minister, Ruth Richardson, who chaired the two-day meeting, told a press conference Thursday there was "some very straight talking" on the trade issue.

She noted that the final communique issued Thursday stressed that "ministers expressed grave concern about the delays in achieving a successful conclusion of the Uruguay Round" of trade talks under the General Agreement on Tariffs and Trade.

US trade gap highest since Nov '92

WASHINGTON, Sept 18: The US trade deficit surged 16.2 per cent in July to the highest level in nearly two years as export sales to economically stalled Europe plunged, the government said Thursday, reports AP.

The latest 7.82 billion dollar trade gap was the nation's worst since November 1990 and marked the fourth time in five months that the imbalance has widened after hitting a nine-year low of 3.29 billion dollar in February, the Commerce Department said.

During the depths of the recession, trade provided one of the few bright spots in the US economy. But economic stagnation has spread to major US trading partners, and analysts said Americans will have to look to domestic growth to keep the tenuous recovery alive.

"We're going to have to lift ourselves by our own bootstraps," said economist Robert G Dederick of Northern Trust Co in Chicago. "We've been helped considerably by the foreign sector for two years, but these latest numbers say our growth is going to have to be home-grown."

Separately, the Labour Department reported the third consecutive weekly increase in claims for unemployment benefits, a sign that the US economy is growing too slowly to reduce the unemployment rate.

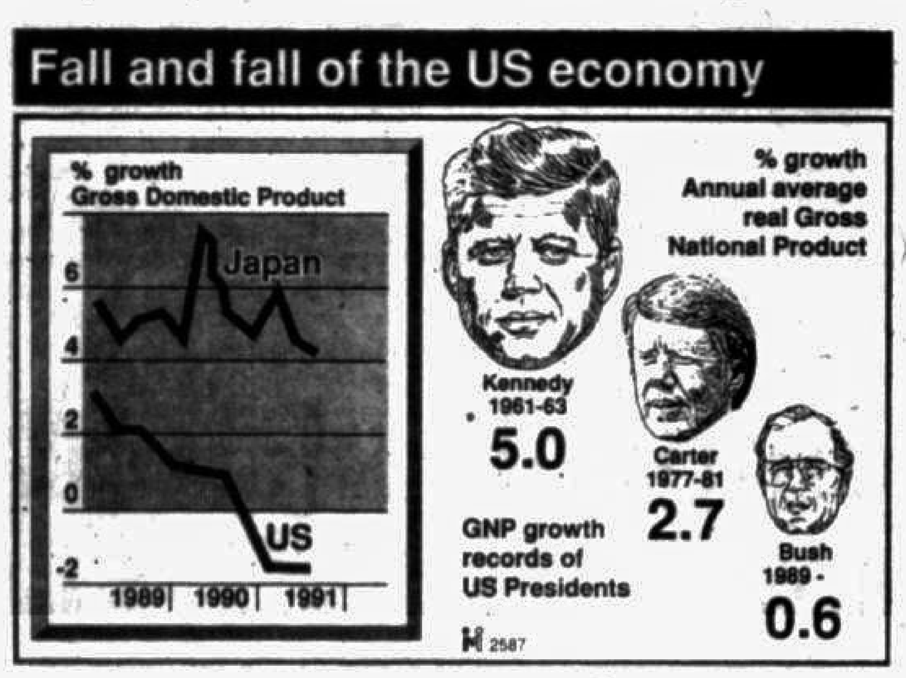
Claims during the week ended Sept 5 totalled 400,000, up 6,000 from the week before.

During the first seven months of this year, the trade deficit was running at a 74.5 billion dollar annual rate.

Dederick and many other economists expect a trade deficit of around 80 billion dollar this year and around 100 billion dollar next year, up from an eight-year low of 65.4 billion dollar last year.

That's bad news for President Bush, who has been using trade as a campaign theme. Democratic Sen Paul Sarbanes of Maryland, Chairman of the Joint Economic Committee, said, the "trade figures throw more cold water on President Bush's claim to be leading the nation toward world prominence as an export superpower."

US sales to Western Europe totalled 8.74 billion dollar in July down 7.8 per cent. Imports rose 3.3 per cent to 9.89 billion dollar.



SC cancels order to halt Bofors scandal probe

NEW DELHI, Sept 18: India's Supreme Court has annulled a lower court's order halting investigations into allegations that leading politicians received kickbacks in a 1.4 billion dollar Swedish arms deal, reports AP.

Chief Justice Ratnavel N. Pandain and Justice R M Sahay granted an "absolute stay" on Thursday against the Delhi High Court's verdict of Sept 2, stopping all inquiries into the allegedly corrupt deal with the Swedish firm, Bofors AB.

Following the Supreme Court's verdict, the CBI faxed a message to the Swiss Federal Department of Justice and police in Berne, informing it of the ruling, the Pioneer newspaper said on Friday.

Short-term investors in India to pay gain tax

BOMBAY, Sept 18: Foreign institutional investors in Indian stocks will have to pay a capital gains tax of 40 per cent if they pull out within a year, the head of a regulatory agency said on Friday, reports Reuter.

Securities and Exchange Board of India (SEBI) Chairman G V Ramakrishna said foreign institutional investors allowed into the country would have to pay the same capital gains tax as Indian companies if they sold the shares within 12 months.

"That's the existing law," Ramakrishna told Reuters.

Financial analysts believe the current 40 per cent capital gains rate will be cut in the next budget in February, however.

Under guidelines opening Indian stock markets for the first time to overseas institutional investors announced on Monday, those who hold equity for more than 12 months will pay a concessionary capital gains tax of 10 per cent.

The Indian government said the differential was designed to encourage long-term investment.

Some fund managers said the 40 per cent rate could deter more adventurous investors who do not want to be locked in for a year in a highly volatile market.

Earlier, addressing a meeting of businessmen on Thursday evening, Ramakrishna said those concerns had to be dealt with.

OPEC member states divided over production target

GENEVA, Sept 18: Shortly after OPEC clinched a new oil production deal, Iran rejected the accord, complaining it would not drive crude prices high enough in the winter, reports AP.

"This really doesn't help prices," said Iran's Oil Minister, Gholamreza Aqazadeh, a perennial price hawk.

Late Thursday, the second-smallest member of the cartel, Ecuador, became the first nation to pull out of the Organisation of Petroleum Exporting Countries. Ecuador had complained about limits on its production and membership fees. Without the Latin American country, the cartel has 12 members.

Ecuador, the second-smallest member of OPEC, accounts for about 1.2 per cent of the cartel's production, with about 320,000 barrels per day.

The ministers of the Organisation of Petroleum Exporting Countries who agreed on the accord worked out Thursday night that it would push prices up a dollar or two a barrel by year's end.

To do so, the producers pledged to hold oil production at 24.2 million barrels a day in the October-December quarter. Kuwait can pump extra as its oil industry continues to rebuild from the Gulf war.

That supply guideline is roughly OPEC's current level of output, but sharply under some forecasts of oil demand in winter, assuming cold, not mild, weather.

The nations argue that if they keep pumping steady while demand for oil rises, then prices will climb.

"The agreement will give a big impetus to the market," insisted Hisham Nazer, oil chief of super-producer Saudi Arabia. "I hope the price will go up."

Analysts agreed prices are likely to rise, but maybe not as much as OPEC is hoping.

"If they really stick to it, prices should strengthen," said John Lichtblau, chairman of the Petroleum Industry Research Foundation in New York. "The market will require more than 24.2 million barrels a day."

Estimates of demand in the final three months of the year go as high as 25.7 million barrels a day. Much will depend on the weather. A cold winter would push up demand; a warm one would dampen it.

Prices have been firming recently. Western customers have been replenishing inventories ahead of winter in the United States and Europe.

An OPEC marker was 19.64 dollar a barrel earlier this year. According to cartel calculations, inflation and the tumbling dollar have snipped about 3 dollar a barrel off the recent value of oil. Oil is priced in dollar.

OPEC has a poor track record in keeping its production promises. When prices climb, nations often increase supply to bring in more revenues for their developing economies. Once output starts surging, prices tend to slip.

But the cartel is producing close to its limit since Iraq, one of its biggest suppliers is barred from selling oil. United Nations sanctions were imposed on the Baghdad government after its soldiers overran Kuwait in August 1990.

Aqazadeh, Iran's oil minister, argued that the nations should take advantage of the situation to cut their production and force up prices.

"We thought it was a good opportunity for OPEC to adjust production and help prices (and) revenues for our countries," he told a news conference.

Aqazadeh, who claims his nation has sharply boosted its oil capacity, said he did not intend to flood the market to protest the accord. But he did say he would raise production with higher demand.

The group's final statement includes an appeal for the nations to avoid "any actions that could disrupt the stability of the market."

The final accord makes no mention of an oil output ceiling. Instead, it said the group decided "the market share" for the fourth quarter would be 24.2 million barrels a day.

Setting a firm ceiling apparently would have forced the ministers to divvy up the production among the nations. Such a discussion would no doubt spark a fight between rivals Saudi Arabia and Iran over which country should get what.

The ministers hope to sidestep such a battle at least until sanctions are lifted on Iraq and it can resume oil sales.

A Reuter report says: A dispute between traditional OPEC antagonists Saudi Arabia and Iran threatened on Thursday to block a deal that the group wants to boost world oil prices to its coveted target of $21 per barrel.

Italian Senate approves Maastricht Treaty

ROME, Sept 18: The Italian Senate overwhelmingly approved the Maastricht Treaty on European union on Thursday night, reports Reuter.

Approval of the treaty on European political, economic and monetary union by the lower chamber of deputies is virtually certain.

Government leaders had all pushed for the Senate to debate the treaty before next Sunday's French referendum to boost the "yes" vote in France.

Italy's lira was devalued by seven per cent last Sunday against other currencies in the EMS and Italy effectively suspended its currency from the ERM on Thursday.