

Business

US may take retaliatory actions against EC

Future of global trade hangs in the balance

BRIEFS

Taiwan's trade with China totals \$ 4.66

TAIPEI, Oct 23: Taiwan's indirect trade with China through Hong Kong totalled US 4.67 billion dollar in the first eight months of 1992...

Russia grows 104m tonnes of grain

MOSCOW, Oct 23: Russia's 1992 grain harvest is virtually complete at about 104 million tonnes, Bunker Weight, the state statistics office Goskomsstat said...

French firm to ease plan on job cuts

PARIS, Oct 23: The French mineral water group Source Perrier SA has agreed to moderate plans to eliminate 750 job cuts...

French farmer's suggestion rejected

GENEVA, Oct 23: A senior trade source in Geneva discounted a suggestion by a French farmers' spokesman that agriculture — included in such world trade talks for the first time in 1986 — could be dropped out of the Uruguay Round...

EC inflation rate falls in Sept

BRUSSELS, Oct 23: The European Community's average annual inflation rate fell to four per cent in September, the EC statistics agency Eurostat reported Wednesday...

Dollar, gold fall in NY

NEW YORK, Oct 23: The US dollar fell against most major currencies Thursday after receiving a short-lived boost on news of a drop in the number of new claims for jobless benefits...

Share prices regain in Bombay

NEW DELHI, Oct 23: Indian stock prices recovered slightly Thursday after crashing below the level of 3,000 on the key Bombay index for the first time since a major securities scandal broke in April...

Shares up, dollar down in Tokyo

TOKYO, Oct 23: The US dollar fell against the Japanese yen early Friday but regained some strength after Japan's finance minister expressed concern about the yen's rapid rise...

BRUSSELS, Oct 23: The future of world trade hung in the balance after GATT farm talks between the United States and the European Community collapsed...

Top US Technical Farm Negotiator Joe O'Mara flew out of Brussels after talks on EC farm subsidies broke down, and Washington accused the EC of scuttling an agreement...

A US official said "Washington's options obviously include retaliation or various forms of it, a threat matched by the EC."

By the end of the day the European Commission, which has been negotiating on behalf of the 12 EC states in GATT's 108-nation Uruguay Round of talks to free up world trade, was alone in insisting formally that the talks had not collapsed.

"Negotiations continue, contacts continue," a commission spokesman said. He provided no details but said the commission was taken aback by what he described as dramatisation by the press of developments in Brussels.

But EC officials, warning that Brussels was ready for a trade war if the United States fulfilled a threat to slap heavy duties on one billion dollar worth of EC food and drink exports, said privately that contacts would resume only if Washington yielded.

Across the Atlantic, a US official said talks would resume only if the EC was prepared to compromise.

GATT Director-General Arthur Dunkel told Washington and Brussels that they held world trade in their hands and begged them to clear the way for an overall deal.

Australia, a major farm exporter, sided with Washington and said EC backsliding on earlier concessions had made a GATT deal before the end of this year very unlikely.

The breakdown in technical talks, blamed by EC officials on a row over imports of oilseeds and cereals byproducts, brought sharply into view a festering divide inside the community.

Britain, which holds the EC's rotating presidency and has been advocating a deal with Washington on EC farm subsidies, clashed with France after Paris said it was now clear there would be no deal until next year.

"I could not disagree more strongly with that view", British Prime Minister John Major told parliament. "The EC-US gap can be bridged, what is needed is for both sides to stay at the negotiating table and I will do all I can to bring that about."

Germany, which had so far remained steadfastly by France's side because of Paris's fears of antagonising farmers before elections next year, said domestic concerns must not prevail.

"There is no longer any reason, objectively, to delay agreement," Economics Minister Juergen Moelleman said.

The technical talks in Brussels had been supposed to pave the way for a new meeting between US Agriculture Secretary Ed Madigan and EC Farm Commissioner Ray MacSharry.

They broke down only five days after EC leaders, at a summit in the English city of Birmingham, told the European Commission to strive for an early GATT deal.

EC and US officials said no further meeting were now scheduled, but Moelleman said the commission must keep talking to the United States.

"We expect the EC commission to do everything to achieve a result in the negotiations," he said.

AFP from Washington adds: The United States will probably announce retaliatory measures soon against the European Community following the collapse of US-EC trade talks, informed sources said Thursday.

The measures could include doubling the import tariffs on European wine, along with French cognac and cheeses, but champagne may be spared, a European diplomatic source here said.

Such measures would hurt the possibility of resolving other differences between Washington and Brussels on trade, as well as the likelihood of successfully concluding talks under the General Agreement on Tariffs and Trade (GATT), the sources said.

The Uruguay Round of global trade talks under GATT has been blocked for two years over EC subsidies paid to farmers in general, and to producers of oilseeds in particular.

US-EC talks in Geneva on cutting EC oilseed subsidies collapsed Wednesday, and an European diplomatic source

who asked not to be named said discussion with the Bush administration early Thursday left little doubt that Washington would impose retaliatory measures on EC imports worth up to one billion dollar.

US and European sources said officials from key departments of the federal government — the treasury, commerce department and state department — were meeting Thursday to discuss trade reprisals.

A high-ranking official told AFP Wednesday that a decision could be announced as early as Thursday.

American Soybean Association President Steve Yoder said retaliation was inevitable.

The situation is "very serious," he said, adding that it "could lead to a major trade war between the EC and the US."

The integrity of the world trade system is at stake, the integrity of the US is at stake, Yoder said. The issue is "much bigger than the American elections" on November 3, he said.

The French farmers are responsible for this situation because they refuse to change

and they are very powerful politically."

US soybean producers receive no subsidies and are paid only 4.80 dollar per bushel, the world market rate, while French producers receive 14 dollar per bushel including 9.20 dollar in subsidies, Yoder said.

Thanks to the subsidies, European oilseed production rose from two million tonnes annually in 1980 to seven million tonnes in 1987 and 13.5 million tonnes in 1991.

South East Asia disappointed

AP adds from Manila: South East Asian officials expressed disappointment Friday over the apparent collapse of trade talks between Europe and the United States and said small countries should work together to resist dictates of major powers.

On Wednesday, US trade officials said negotiations with the European Community had broken off with both sides far apart. They said no further talks had been scheduled.

But Nico Wegter, spokesman for the community's top trade negotiator, Frans Andriessen, said American and EC officials were still meeting in Brussels.

China rejects free market for antiques

BEIJING, Oct 23: Chinese authorities have rejected the idea of selling more antiques abroad to raise preservation funds for the relics left behind, an officials news report said Thursday, according to AP.

"It is not practical to raise funds for relics protection by selling relics," the state-run Xinhua News Agency said, quoting a statement from the State Relics Bureau.

China generally bans exporting antiques dating from before 1795, but some exceptions are made. For example, state agencies recently held an international auction of ancient and modern artworks that included bronze ware from the Shang Dynasty, from the 17th to the 11th centuries BC.

The official newspaper China Daily reported that a shop would open that would regularly stock pre-1795 relics for sale to Chinese and foreigners, appearing to undermine the regulation.

It seemed that authorities were bending to the increasingly popular argument that freeing up China's antiques market would raise cash needed to preserve the nation's best treasures.

A member of China's legislature, Cai Zimin, suggested in March that a few of the famed terra cotta warrior statues could be sold for millions of dollars.

Export-import bank gives record loan for selling US goods in Asia

WASHINGTON, Oct 23: The US Export-Import Bank said Thursday it provided a record level of financial support for selling American products in Asia the past year, reports AP.

The total of 2.2 billion dollar for fiscal 1992 was nearly four times that for 1991. It consisted of 21 outright loans totaling 461.3 million dollar and 21 guarantees of commercial bank loans totaling 1.42 billion dollar the announcement said.

US export credits for India and China also hit record levels in fiscal 1992 for India and China, of 934 million dollar and 474.4 million dollar respectively, the Bank said.

Eximbank Chairman John D Macomber said the figures mean there is a "US export boom in Asia."



Wall Street Stock Exchange Tuesday following the TV debate by US Presidential candidates. — Star TV photo

Brazil to go ahead with privatisation plan, foreign investment

BRASILIA (Brazil), Oct 23: Acting President Itamar Franco said Wednesday Brazil will go through with a controversial plan to sell off state-owned companies and may lift restrictions for foreign buyers, reports AP.

Francisco's press office confirmed Thursday's auction of the Acesita steel mill despite protests by unions and a "nationalist bloc" of congressmen.

Opponents of the sale say Acesita, the only mill in Brazil that makes special steels used in airplanes and rockets, is both profitable and strategically important.

A public protest was scheduled outside the stock exchange in Rio de Janeiro, where the auction will be held.

Security regulators to talk EC rules next week

LONDON, Oct 23: Controversial European Community rules on the international operation of banks and investment firms will top discussions by securities regulators next week, reports Reuter.

The International Organisation of Securities Commissions (IOSCO), which groups 90 regulators from 60 countries, holds its annual meeting in London next week with such issues as cross-border fund management on the agenda.

Agreements scheduled for publication at the conference include one on principles for supervising financial conglomerates. A statement will be issued on money laundering.

A joint committee negotiating common capital standards for banks and securities houses with the basic committee for banking supervision, the international group of central bankers, will also report to the

conference. The EC, which is trying to create a common market in financial services to match its free trade agreements, is having to grapple with the evolution of giant companies that combine banking, investment and sometimes insurance services.

The directives, which member countries incorporate into national legislation, have to reflect individual country interests and keep firms happy.

But this has proved difficult, notably with the investment services directive, meant to provide a framework for cross-border investment business, and the capital adequacy directive, which creates capital requirements for securities and investments firms.

Many banks now have trading and investment arms, which makes the situation even more complicated.

Oil prices drop as UN staff seeks western views on Iraqi oil export

LONDON, Oct 23: Oil prices dropped sharply this afternoon after a UN official said he was seeking western views on easing an embargo on Iraqi oil exports, reports Reuter.

Role Ekeus, head of the UN Special Commission on Iraq told London reporters he was "exploring the possibility of adding a carrot" — oil sales — to try to end a deadlock over getting Baghdad to scrap weapons of mass destruction.

He said reaction by western governments was "cautious" and analysts doubted it would signal a quick resumption of major Iraqi exports.

But the news stampeded an oil market that was already worrying about excess supply this northern winter from OPEC (Organisation of Petroleum Exporting Countries).

London December futures for the world benchmark crude oil, North Sea Brent blend, dropped 25 cents in just a few minutes to a day's

low at 20.15 dollar per barrel before rallying a little.

New York prices for US light crude were at one stage 30 cent lower.

These declines extended a sharp retreat on Wednesday which had reflected a belief that, even without any Iraqi oil, the market would be well supplied in coming months.

Iraqi oil has been shut in by a UN embargo since Iraq invaded Kuwait in 1990. A resumption of Iraqi exports would create what one western oil company executive said would be "a messy situation" for OPEC.

OPEC would have to reintroduce production quotas to prevent a glut.

But market analysts predict squabbles as pressure builds up on big producers like Saudi Arabia and other Gulf War foes of Iraq to cut their output to fit Saddam Hussein's oil in.

OPEC ministers are due to meet in Vienna on November

25.

Mehdi Varzi, who follows oil for London-based Kleinwort Benson Securities, said he still doubted whether Iraqi oil exports would resume "for at least several months".

He said he would be very surprised if President George Bush agreed quickly to easing the UN embargo.

But he shared a widely-held oil industry view that challenger Bill Clinton might be more lenient with Iraq if he wins the November US election.

Varzi doubted, however, whether Iraq would quickly be allowed to export at full capacity that might add a substantial 1.5 or 2.0 million Barrels Per Day (BPD) to world supply.

Varzi predicted a gradual easing of the embargo, with more modest Iraqi volumes perhaps reaching the market in 1993, and added that he thought OPEC would be able to

accommodate that amount if it found the political will to do so.

Renewed talk now about Iraqi oil-sales might be good for OPEC because "it will concentrate their minds", he said.

Ekeus said the oil embargo introduced in August 1990 meant that Iraq was losing up to an estimated 30 million dollar a day.

Earlier, Kuwaiti Oil Minister Ali Ahmed Al-Baghlil said his country planned to raise output to two million Barrels Per Day (BPD) by the beginning of 1993, up 750,000.

Western oil companies are also less sceptical now about assertions by Iran that it can produce at about 3.8 million BPD, also up sharply on its recent output.

The sings of rising OPEC supply and sluggish demand in the weakened global economy were cited by traders to explain a drop in oil prices Thursday.

Battleground in a war of will

PARIS, Oct 23: Smoke-filled bistros and cafes, an inimitable part of the French image, are likely to become battlegrounds in a war of wills when an anti-smoking law takes effect Nov 1. Confusion and outrage seem certain before the air clears, reports AP.

Restaurants, hotels and offices are preparing frenetically for the new regime. But in a country where many view smoking as among life's pleasures, where the pungent odor of state-produced black tobacco abounds, not everyone is enthusiastic.

Salesmen peddling ventilation equipment "are descending on companies like a flock of sparrows," said Jacques The, president of the National Hotel Industry Federation.

The law outlaws smoking in many enclosed places, strengthens smoking regulations already in effect in public transport, and demands that those in charge of enclosed public areas "assure the protection of non-smokers."

Bank of England will strengthen audit to prevent fraud

LONDON, Oct 23: The Bank of England will strengthen its inspection of banks after coming in for criticism for "deficient" supervision of the defunct Bank of Commerce and Credit International (BCCI) in an independent report released here on Thursday, says AFP.

The report by Lord Justice Bingham said the central bank had acted too slowly in the run-up to its closure of BCCI on July 5 last year, and had put too much faith in the auditors responsible for certifying its financial reports.

The 218-page report concluded that "the auditors have a crucial role to play, but the duty to supervise is placed on the bank, and it is a duty which cannot be delegated."

"It is the bank, not the auditor, which is the supervisor. In these respects, the bank's supervisory approach to BCCI was, in my opinion, deficient."

and crimes, including money laundering, arms trafficking and financing terrorist movements.

He said the central bank had failed to contact the foreign office for information about BCCI's extensive foreign activities, and that "the degree of alertness and inquisitiveness shown by many of the bank officials who dealt with BCCI was not high."

Chancellor of the Exchequer Norman Lamont told the House of Commons that he took the criticisms of the central bank "very seriously", and agreed with all of Bingham's recommendations to prevent such frauds in future.

The opposition Labour Party urged him to have the Bank of England governor, Robin Leigh-Pemberton, dismissed, and asked what Prime Minister John Major knew about the situation when he was chancellor of the exchequer in 1989-90.

The Bank of England announced creation of a "special investigations unit" for bank

fraud and of a "legal unit" to assist in probes. It said the move would strengthen its "capacity for on-site examinations."

Lamont also announced that he would move for a law giving the Bank of England power to ban any bank that is suspect or difficult to supervise. BCCI had three separate legal headquarters — in London, Luxembourg and Grand Cayman.

Auditors will also be obliged to inform the authorities of any suspicions they may have of financial institutions they audit. At present, they are responsible only to the clients, i.e. the institutions themselves.

At a European level, Lamont wants more cooperation among central banks and a revision of the confidentiality provision in the European Community's banking directive.

The Bingham report is less critical than a report issued by the US senate early this month, which accused the Bank of England of having known about and covered up BCCI frauds for years. The

central bank replied that it knew of irregularities, but the massive fraud that enabled it to close BCCI was not proven until a June 1991 report by audit firm Price Waterhouse.

The Luxembourg trade court meanwhile gave formal approval on Thursday to a compensation plan for BCCI creditors.

The plan provides that the Emir of Abu Dhabi, the bank's majority stockholder, will pay 1.7 billion dollar in compensation to the BCCI's 250,000 creditors in 40 countries.

The plan has already been approved by a Cayman Island Court and the British High Court.

Luxembourg court clears BCCI plan

Reuter from Luxembourg reports: Luxembourg's district court on Thursday gave the final go ahead for a compensation plan to reimburse creditors of the failed Bank of Credit and Commerce International (BCCI) (BCCI.CN).

The court authorises the liquidators to sign all the

transactions and conventions (of the compensation plan), judge Maryse Welter told a Luxembourg district court.

The judgement means the plan, which is backed by BCCI majority shareholder Abu Dhabi, may now go ahead following approval in the Cayman Islands and the United Kingdom.

BCCI was headquartered in Luxembourg although most of its operations were overseas.

Welter said objections by some creditors to final clearance of the compensation plan, on the grounds that a recent ballot of creditors was unfair, were not valid.

"It is not proved that the way the liquidators did the ballot did not comply with the tribunal's instructions," she told the court.

Lawyers present at the judgement said creditors still have 15 days to two months to appeal the judgement.

"If no-one appeals, then we hope to make the first payments by beginning to mid-1993," Luxembourg court appointed liquidator Julien

Roden told reporters.

He added that to receive full payments was a drawn-out process. "It could take around three to four years to get the maximum amount," Roden said.

The compensation provides for an initial 1.7 billion dollar cash injection by Abu Dhabi which, with proceeds from the liquidation, will pay back 30 to 40 per cent of creditors losses.

But in return for cash payments creditors have to give up all legal claims against Abu Dhabi.

A Luxembourg source close to the case told Reuter the court's approval should trigger an initial payment of 200 million dollars to 250 million dollar in to an escrow account by Abu Dhabi.

He also said the liquidation of the bank would start with the collection of assets.

Welter said the court's decision was helped by the creditors ballot which showed 93 per cent acceptance of the compensation plan. "It is not binding but it cannot be ignored."

Share prices tumble in HK

HONG KONG, Oct 23: Share prices on the Hong Kong Stock Exchange tumbled in active trading Friday, reports AP.

The Hang Seng Index, the market's key indicator of blue chips, fell 66.58 points to close at 6,262.54. Turnover amounted to 4.826 billion Hong Kong dollars (US 618 million dollar), down from Thursday's 6.336 billion Hong Kong dollars (US 812 million dollar).

Brokers attributed the plunge to profit-taking following a 773-point gain in the index in the past 10 sessions.

Among properties, Cheung Kong fell 40 Hong Kong cents to 24.00, Hong Kong Land lost 20 cents to 14.30, New World Development also lost 20 cents to 18.50 and Hang Lung Development dropped 10 cents to 12.10.

Elsewhere, Swire Pacific "A" fell 75 cents to .36.74, Jardine Matheson lost 50 cents to 59.50, Hutchison Whampoa lost 20 cents to 17.60 and Hong Kong Telecom dropped 5 cents to 9.15.