

OPEC contemplating of higher oil prices to pre-empt carbon taxes by the West

LONDON, Mar 2: The Organisation of Petroleum Exporting Countries is hitting it could levy higher prices to pre-empt new carbon taxes on oil by the West, reports Reuters.

Whether OPEC ever does retaliate like a true cartel would need a policy shift by King Fahd of Saudi Arabia.

Western industry executives believe it conceivable but unlikely that the King would ever turn the tap down so hard on production as to deliver a new 1970s-style "oil shock".

But the King probably did express concern over US proposals for an energy tax when Secretary of State Warren Christopher met him in Riyadh on February 21.

OPEC's fear is that recession-hit governments in the European Community (EC) and Japan may follow the US lead and try to fill their empty coffers, too, with new taxes on fuel.

These can be sold to wary electorates as a way to help rescue the earth from global warming by curbing the use of fossil fuel and reducing emissions of carbon dioxide (CO₂).

OPEC's warning shot was fired in an unsigned editorial in the February OPEC bulletin published by its Vienna secretariat.

The OPEC editorial urged the 12 members to be zealous in honouring new output quotas. For if oil prices weakened "a carbon tax... will be easier for consumer governments to impose".

OPEC also envisioned higher US taxes eventually being levied than are now proposed by the Clinton administration.

Once the tax was "an accepted part of the landscape the US can easily adjust it using the same convenient grounds of cutting the budget deficit," the OPEC editorial said.

"Emboldened by the Clinton move, the European Community will dust off its plans again for its own tax. Others may follow".

Producers scorn the "green" case for such taxes as a cloak for a straight grab for more economic rent on the barrel.

They said that 1.2 billion

Chinese are sitting on 11 per cent of world proven reserves of coal, the fossil fuel most prolific at emitting carbon dioxide.

"What is needed is a holistic approach to the whole issue of the environment," says Saudi Arabian Oil Minister Hisham Nazer.

subsidise their coal at up to 100 dollar a tonne.

OPEC further complains that US coal would be taxed under the Clinton plans at only 25.7 cent per million British Thermal Units (BTU) versus 59.9 cent for oil.

Taxes that would hit petroleum demand are an especially bitter blow to Saudi Arabia, the world's biggest producer.

Ever since the mid-1970s it has incurred the wrath of OPEC "hawks" led by Iran with a strategy of using its own production to keep a lid on oil prices. Others in the 1970s branded Nazer's predecessor, Sheikh Ahmed Zaki Yamani, a western stooge.

In this decade too, the Saudis plan to spend some 45 billion dollar to get production capacity to 10 million barrels daily.

They see that as their side of a bargain. They offer secure supply at stable prices. In return, they want consumers to promise them a market for their oil into the 21st century.

An energy tax therefore seems like a slap in the face

and it also exposes the Saudis to OPEC taunts of "I told you so".

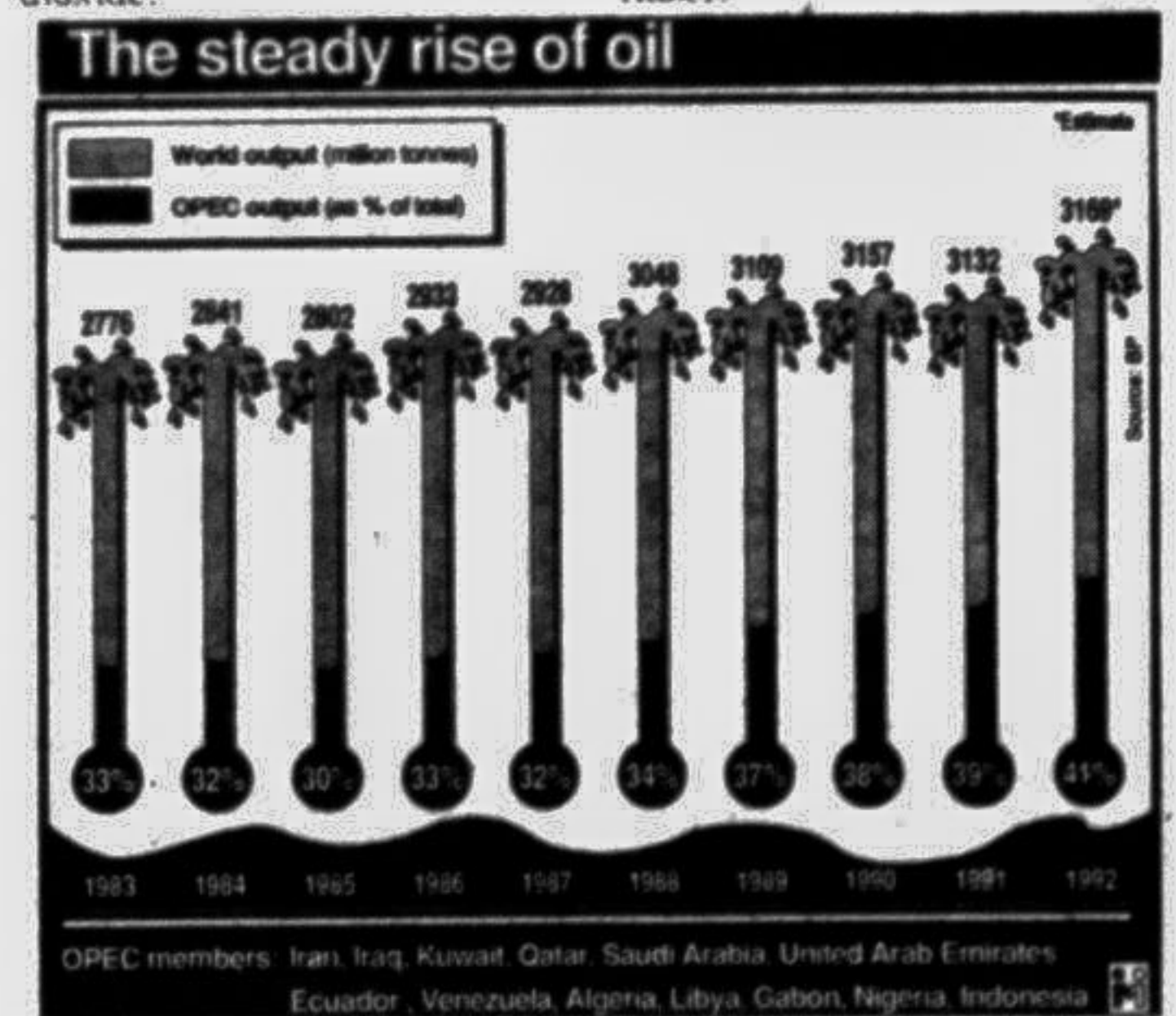
But there is another dimension to the Saudi bargain with the West.

"Where would the world be if my country hadn't produced an extra three million barrels a day after Iraq invaded Kuwait?" Asked Yamani in a recent interview.

But others in OPEC ask where Saudi Arabia would be if America hadn't then waged war on Iraq and did not remain as the ultimate Guarantor of Gulf Arab security?

Officials in more "hawkish" OPEC states therefore think it may be hard to get the Saudis to ratchet prices up in defiance of Washington. On the other hand, say some Arab analysts, social security in Saudi Arabia needs a thriving domestic economy.

Referring to Islamic unrest in another Arab OPEC state, one non-Gulf source said, "The people of Algeria are not undergoing some kind of mystic crisis. It is just that the money from the oil wells isn't flowing the way it once did".



A few cent on gasoline prices in the West won't stop the Chinese from mining and burning the coal. If the West were really worried about CO₂, Nazer adds, Japan and Germany wouldn't

BRIEFS

China spends \$862m for rural industry

BEIJING, Mar 2: The Chinese government is to earmark an annual five billion yuan (862 million dollar) in loans to boost rural industry in the western and central parts of the country until the year 2000, the China Daily reported Monday. Credits granted under the new scheme will be in addition to regular bank loans, the newspaper added, quoting a government circular. The government also urged inland provinces to adopt industrial policies to encourage faster growth, says an AFP report.

Pak money market faces shortage

KARACHI, Mar 2: Pakistan money market faced an acute shortage of funds that sent interest rates soaring, dealers said. The market remained devoid of activity with short term rates still at 14.90 per cent "a dealer at Khadim Ali Shah Bukhari and Co Ltd said. Dealers were waiting for settlement of the next T-bill auction on March 8 that could end the bearish trend in interest rates, he said, reports Reuters.

Latvia to introduce new currency soon

RIGA, (Latvia), Mar 2: Latvian officials said Monday that this week they will introduce a new currency, called the Lat, which will gradually replace the Latvian ruble. At first, only the five-Lat bill will be issued to bank customers on Friday, but other denominations will follow eventually, said Einars Repse, president of the Bank of Latvia. One Lat will be worth 200 Latvian rubles, which now trade for about 155 to the dollar, says AP.

Syria's oil output rises by 14.7 pc

NICOSIA, Mar 2: Syrian oil production in early 1993 is averaging 565,500 barrels a day against 493,000 B/D in early 1992, an increase of 14.7 per cent, the Middle East Economic Survey (MEES) said Monday. The Nicosia-based Newsletter said the production breakdown was: Al-Furat Petroleum Company (AFPC) 400,000 B/D, the state-owned Syrian Petroleum Company (SPC), 150,000 B/D, Elf Equitaine 12,000 and Total 3,500 B/D, reports AFP.

Commodity market regains order in NY

NEW YORK, Mar 2: Futures exchanges that play a critical role in setting world prices for commodities from cocoa to crude oil regained a semblance of order Monday in the wake of the World Trade Center explosion. While 50,000 workers were barred from the complex's landmark twin towers, hundreds of traders worked an abbreviated session in the separate building that houses the New York Mercantile Exchange, the Commodity Exchange, the New York Futures Exchange, Cotton Exchange and the Coffee, Sugar and Cocoa Exchange, says AP report.

Indian GDP up by 5.5 per cent

NEW DELHI, Mar 2: India's economic growth in the financial year beginning in April is forecast to be five to 5.5 per cent, compared with an estimated 4.2 per cent increase in real Gross Domestic Product in 1992/93, officials said. India's GDP growth has picked up from just 1.2 per cent in 1991/92 when an austerity programme curbed demand and output. Economic Affairs Secretary Montek Singh Ahluwalia said export growth in dollar terms would be 15 per cent in the coming year against six per cent in 1992/93, says Reuters.

Pindi cuts profits on foreign currency

KARACHI, Mar 2: The State Bank of Pakistan said the rate of profits on five-year Foreign Currency Bearer Certificates (FCBCs) had been slashed for March. The rate on the dollar certificate was cut to 7.25 per cent from 7.75, on the mark to 8.50 from 8.75, on the pound sterling to 8.75 from nine and on the Japanese yen to 5.50 from six. The rates would remain in force to March 31, the bank said, says Reuters.

India will compete with China to attract foreign investment

NEW DELHI, Mar 2: India, which launched far-reaching reforms of its sheltered economy 20 months ago, will eventually compete with China for foreign investment, Finance Minister Manmohan Singh said, reports Reuters.

Singh told foreign correspondents that the religious riots which battered India's commercial capital of Bombay in December and January had sparked doubts among investors.

"But I feel confident that in the coming months our system will have the resilience to convince investors that this was an aberration," he said.

He said in reply to a question that it was unfair to compare India's 2.3 billion dollar in approved foreign investment

since the reform programme began in July 1991 to the estimated 13 billion dollar that China attracted last year.

"In China, the process of liberalisation began as early as 1979. And as far as foreign investment is concerned, the big increases that China is getting... only came in the late 1980s," Singh said.

"So there is always the process of meeting the transition problems, changing the old attitudes, changing the old mindsets, and for that patience is necessary."

"Our programmes got off the ground only in July 1991. Therefore, I think it is premature to compare our experience with China," Singh said.

Most of the foreign investment China is attracting comes

from overseas Chinese in southeast Asia, particularly from Taiwan and Hong Kong, Singh said.

"India has an overseas community, but it's not as large, as rich, or as trade-oriented as overseas Chinese are," he said.

India, which calls itself the world's largest democracy, can give investors a more secure legal climate, he said.

"Whatever you may say about the Indian system, in a country like China if a particular person did not get a tender, I don't think he could go to a court of law to enforce his rights."

Singh was referring to an Indian high court judgment last week which overturned a cellular telephone contract

awarded by the Ministry of Communications after a losing bidder filed a suit complaining that the tender process was unfair.

"I think the world has to accept that India is a functional democracy," Singh said. "I am convinced that in the long run, foreign investors have a far more secure environment here than if (they) were dependent on a powerful dictator."

India to talk IMF for fresh loan

Another report says: India will soon begin negotiations with the International Monetary Fund for fresh loans to support its precarious balance of payments position, Finance Ministry officials said.

Malaysia may reduce oil production

KUALA LUMPUR, Mar 2: Malaysia is likely to reduce its oil production in line with the latest cutback by the Organisation of Petroleum Exporting Countries, a senior official said Tuesday, reports AP.

"Although we are not a member of OPEC, we usually follow the formula set by it if this does not jeopardize our national interest," Syed Hamid Albar, Minister in the Prime Minister's Department, told the national news agency Bernama.

In efforts to boost oil prices, OPEC has decided to reduce output by 1.4 million barrels a day, to 23.6 million barrels a day.



NEW YORK: Workers from the Department of Alcohol, Tobacco and Firearms make their way toward a parking garage at the World Trade Centre Mar 1. The FBI has confirmed that a bomb caused last week's explosion at the World Trade Centre and the ATF employees continue to search for fragments of the bomb.

Russia threatens to stop gas, oil export to former Soviet republics

MOSCOW, Mar 2: Russia will stop exporting gas and oil to the former Soviet republics unless they provide financial support to the ailing industry, Russia's top energy official warned Monday, reports AP.

One of the former republics, Ukraine, decided Monday to ban gasoline sales to private car owners for the entire month of March because of already-poor fuel supplies, the ITAR-Tass news agency reported. The government order is intended to preserve fuel for farmers.

Russian Fuel and Energy Minister Yuri Shafnannik said oil production was expected this year to plummet to 340 million metric tons (374 million short tons), or 55 million metric (60 million short tons) less than last year, the Interfax news agency reported.

Officials have blamed the fall in production on outdated equipment, waste and economic chaos following the Soviet Union's collapse.

Shafnannik told a two-day conference on energy cooperation between the former Soviet republics held in the

Siberian city of Surgut that Russia needs 240 million metric tons (264 million short tons) of oil just to satisfy its own annual needs.

He said that while Russia fully met its fuel export obligations to the former Soviet republics last year, they had supplied only 10 per cent of the goods agreed on in exchange.

Oil and gas supplies to the former Soviet republics calculated at world prices would have amounted to 6.5 billion dollar last year, he said, adding that the former Soviet republics owed Russia 1.8 trillion

ruble (about three billion dollar) for fuel supplies.

ITAR-Tass said Russia will decide whether to cut off gas supplies to Ukraine at the conference in Surgut, which is in Tyumen, Russia's biggest oil-producing region.

Russia to create diamond exchange

Reuters says: Russia plans to create an exchange for marketing rough diamonds in Moscow, according to a senior official from Russia's new diamond company.

According to other reports: The nation's manufacturing economy continued to expand in February but at a slightly slower pace than the previous month, according to the National Association of Purchasing Management.

Australia rejects grain deal talk with Russia

CANBERRA, Mar 2: The Australian Wheat Board (AWB) Tuesday rejected talk of a two-million-tonne grain deal with Russia, saying that the Russians had yet to show they could come up with the money, reports AP.

An AWB spokesman said that talk of the Russians wanting to buy Australian wheat had been in the market for the past month.

"It was half a million to one million tonnes, now its two million tonnes that's the record," he said.

In Washington overnight, the Chairman of Russia's Grain Procurement Commission, Leonid Cheshinsky said his country was in the process of buying five million tonnes of grain from the European Community and two million tonnes from Australia.

But the AWB spokesman said there was no deal.

Russia was already 50 million US dollar in default on credit payments for Australian wheat shipped in 1991 and it was extremely unlikely there would be further sales of grain in the near future, the spokesman said.

Russia has a total of 500 million Australian dollar (351 million US) in debts with Australia for credit lines extended to pay for wool and wheat.

Kohl-Kim talk bilateral trade issue

SEOUL, Mar 2: German Chancellor Helmut Kohl and newly inaugurated President Kim Young-Sam met today and discussed Germany's bid to secure the contract for South Korea's multibillion dollar high-speed train, Korean unification and other issues, Seoul officials and press reports said, according to AP.

Kohl, who arrived in South Korea Monday on an official three-day visit, was quoted by Yonhap news agency as expressing interest in South Korea's multibillion dollar Seoul-Pusan high-speed railway project, for which Siemens, builder of Germany's Inter-City Express (ICE), is competing against a French and a Japanese company.

"We hope Germany will increase its investment to South Korea and will increase cooperation in basic sciences and high tech fields, Kim, who took office last week, was quoted as saying.

Both leaders agreed that the International Atomic Energy Agency (IAEA), as well as bilateral inter-Korean nuclear inspections, were necessary to clear up fears that North Korea is pressing ahead with a nuclear weapons programme, a Seoul official said.

Kohl briefed Kim on Germany's unification process, explaining that the most important thing was for South Korea to maintain its own political and economic stability and pursue exchanges with the North, Yonhap said.

Opposition parties in India flay new budget

NEW DELHI, Mar 2: Both the left and the right-wing have flayed Indian Finance Minister Manmohan Singh's pro-reform budget, dashing his hopes that they would find no flaws in the fiscal package applauded by industry, says an AFP report.

The communist party of India-Marxist (CPI-M), the largest leftist group, said in a statement that the budget was highly inflationary and repeated charges that it conformed to the dictates of international lending agencies.

Singh, who unveiled the fiscal 1993-94 budget in parliament on Saturday, floated the rupee, reduced customs tariffs and cut interest rates and excise duties in a bid to boost economic growth.

Industry and the English-language press welcome the budget as growth-oriented.

But floating the rupee "implies that besides imports of capital goods, intermediates and components, crucial bulk imports like fertilisers and petroleum would now have to be imported at the free market rate," the CPI-M noted.

Chance of global trade war looms large, warns economists

BRUSSELS, Mar 2: A trade war is shaping up to replace the Cold War unless nations can harmonise their trade and exchange rate policies, economists warned here in reaction to a growing clamour for trade protectionism, reports AP.

The trade accusations are flying everywhere — that the United States is putting up protectionist shutters, the European Community is building Fortress Europe, and Japan remains as impenetrable as ever.

"These are more than just threats. There is a real danger that there are preparations for mutual protectionism. Economic blocs are replacing the line-up of the Cold War," said German economist Wilhelm Harnkel.

The United States recently went on the offensive by imposing steep anti-dumping duties on steel imports, and is threatening action to protect its aircraft manufacturers against EC competition.

The EC is tightening its defences against cheap steel and fish imports from eastern Europe, similar to barriers already in place against beef. Its new single market has braked banana imports from Latin America.

Washington and Brussels are both knocking harder on Japan's door for action to bring down huge Japanese trade surpluses and allow more foreign imports.

"It's like a kabuki play — where you have stylised minis-

ters engaged in an interplay of sound a fury," says Michael Hodges, senior lecturer in international relations at the London School of Economics.

For David Rohr, a US international trade commissioner, the economic recession has spawned "an awful lot of rhetoric" about trade protectionism.

"But translating into actual protectionism doesn't happen as much as one would think," he said here today.

Rohr noted that demands for protection from companies in the United States were increasing, but had not yet reached the crescendo of the early 1980s.

However Harnkel, former German under-secretary for monetary affairs and now pro-

essor of development and monetary affairs at Frankfurt University, said he was "very alarmed" at looming protectionism, particularly in the EC.

The only way out, he said, was an agreement by the leader so the Group of Seven leading industrialised countries to agree on world trade reform and harmonised exchange rate policies at their G-7 summit in Tokyo this summer.

Talks to whittle down trade barriers are still stalled after more than six years of tortuous efforts to wrap up the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade.

But Harnkel said GATT trade reforms would not work

until exchange rate instability had been cured and leaders no longer reacted to monetary disorder by stopping imports.

French Foreign Minister Roland Dumas spoke this week of a "protectionist culture" in the United States. Harnkel responded that the EC was the world's chief trade culprit and was inviting retaliation against "Fortress Europe."

President Bill Clinton struck a conciliatory note last week in calling for open markets and a GATT deal.

Hodges said: "this was a good sign indeed," he added that trade quarrels were normal in a recession, but potentially dangerous if allowed to develop into "bilateral aggression" and counter-retaliation.

"Political elites have lost

control of their electorates and economics, and are looking for scapegoats (in foreign trade partners)," Hodges said.

"In a way, what we are seeing now is posturing for (GATT) trade negotiations. The result is not far-ordained, but if the negotiations fail, we are in for a very bad time indeed," he said.

The United States, the EC, Japan, the South-East Asian nations and other countries have all been strengthening trade defences by reinforcing regional trading blocs.

The economists said this left the world's poorer countries, including eastern European nations struggling to build market economies, as the worst losers in many trade war.

US pharmaceuticals, banks launch counteroffensive against criticisms

WASHINGTON, Mar 2: The pharmaceutical and banking industries, stung by White House criticism and proposed budget cuts, are launching counteroffensives to tell their sides of the story, reports AP.

Sixty bankers were fanning out across Capitol Hill Tuesday to try to scuttle President Clinton's plan to cut them out of the 15 billion dollar guaranteed student loan business, now a source of hundreds of millions of dollar in no-risk fees.

And the drug industry, accused of profiteering by Clinton and allies in Congress, defended itself in full-page ads running in 40 major newspapers Tuesday at a cost of more

than 500,000 dollar.

The drug makers' ad was billed as an open letter to the American people who "have been hearing so much negative criticism of us."

Clinton gored both industries' oxen in recent weeks with his deficit-reduction plan and his attack on "shocking price increases that have driven up the costs of immunising American children.

The bank lobbyists have fended off past attempts to cut their share of the student loan pie, and they are taking direct aim at proposals by Clinton and lawmakers to deny them a role in dispensing the government-backed loans.

Security tightened in business districts of New York

NEW YORK, Mar 2: Thousands of computers streamed into lower Manhattan this morning to find heightened security and a lot of unanswered questions about their business operations following a fatal blast that rocked the World Trade Centre Friday, reports Reuters.

At the New York stock exchange, police barricades kept cars from parking in front of the main entrance on Broad Street. "We have taken some additional steps on the advice of authorities to increase our already stringent security," a

NYSE spokesman said.

Inside the World Trade Centre, security was tight, as people waited in lines in the building's lobby hoping to get police permission to go to their offices and get critical records and files.

Few knew what would do after that.

"Supposedly, we're setting up a couple of places in Manhattan, said a securities analyst from Dean Witter, who declined to give his name.

"Right now, I'm going to get the files. Go back home and wait for word. This is certainly going to be disruptive."

Minoru Nakama also waited at the World Trade Centre. "I will try to get permission to get back in because we cannot work rest of the day," he said.

Although the police were a visible presence inside the World Trade Centre, there were few signs outside the complex indicating anything out of the ordinary. But, some said, it would be difficult to forget the blast and get back to work.

"It's tough getting back. It's just another work day, but I don't think I'll be taking things for granted anymore," said Tom Lasaala, a New York mercantile exchange analyst.

"I missed the explosion by five minutes. I feel pretty lucky. I never took things for granted before, either, but I'm not going to dwell on this," said Carver Wickman of Goldman Sachs.