Jakarta seeks OPEC output ceiling below 24 MBD

JAKARTA, June 6: Jakarta will prose that the Organisation of Petroleum Exporting Countries (OPEC) set its crude production ceiling at below 24 million barrels per day (MBD), Mines and Energy Minister Ida Bagus Sujana said Saturday, reports AFP.

"This proposal will officially be made at the upcoming OPEC meeting in Geneva on June 8," the Antara news agency quoted Sujana as saying.

He cautioned that the oil grouping should be very careful about expanding its total crude output ceiling for the next quarter as fair prices could only be reached if there was no substantial oversupply in the market.

OPEC agreed in February to a crude output ceiling of little less than 23.6 MBD as of March 1. Oil industry sources have however put OPEC's total crude production in May at 24.15 MBD.

China plans no drastic cut in exchange rate of yuan

BEIJING, June 6: The Chinese government does not plan any drastic reduction in its currency's official exchange rate despite the yuan's plunge on semi-official swap markets, an official newspaper said Sunday, reports AP.

After a state-set ceiling was lifted last Tuesday at the swap markets, the yuan fell from about eight to the US dollar to about 10 to the dollar. The closing price at the Shanghai Foreign Exchange Swap Market on Friday was 10.23.

The swap markets are used by Chinese and foreign businessmen who need to exchange large quantities of currency, as China's currency is not convertible on international markets. Tourists and other visitors who change money at banks and hotels do so at the official rate.

To show its determination not to follow the swap market trend, the State Administration of Exchange control raised the yuan's official value last week, from 5.71 to the dollar to 5.69.

"The price of the dollar in the markets will gradually reach a reasonable level and the value of the (yuan) will stabilize," he was quoted as saying.

Chinese newspapers learn ad game

BEIJING, June 6: Chinese newspapers, which used to be funded entirely by the government, are starting to make big money by selling their entire front pages to advertisers, reports AP.

The China Daily Business Weekly said Sunday that companies are paying 1.2 million yuan (210,000 dollar) for full, front-page ads in the Shanghai newspapers Wen Hui Bao and Liberation Daily (Jiefang Ribao).

The Tianjin Evening News auctioned off all its advertising space for June 6, which according to traditional superstition is a lucky day, for one million yuan (175,440 dollar), the China Daily said. It did not say how much the paper's advertising space goes for on an ordinary day.

Advertising spending nationwide is expected to exceed 7 billion yuan (1.2 billion dollar) this year, compared with 6.7 billion yuan (1.17 billion dollar) last year.

Economic woes of Africans worsen in 20-yr

Pick a number — any number. The economic woes of the poorest nations in Africa have worsened in the past 20 years, when greater foreign trade was promoted as a route to self-sufficiency.

The sad facts can be demonstrated equally well through any number of statistics: external debt for developing countries has soared from 100 billion dollar to 1,350 billion dollar; the percentage of world trade for the sub-Sahara region has fallen from 3.8 per cent in 1970 to one per cent in 1989; the basket price of commodities, once considered the key to success in developing countries, fell by nearly half from 1977 to 1988.

Reports from the United Nations Conference on Trade and Development (UNCTD), Oxfam and Action Aid all make the same case. The purchasing power of exports from the industrialised world have fallen, despite increased production. As Oxfam notes in its call for a new economic plan to boost Africa, a single commodity can determine the health of the fragile economies of Africa.

Zambia's copper accounts for 98 per cent of its export earnings, Uganda's coffee brings in 95 per cent, and in Niger, uranium earns 85 per cent. Thus, trade promoted by the Structural Adjustment Programmes of the World Bank and the International Monetary Fund has "had the effect of forcing the region to struggle up a downward-moving escalator: expanding its export production for diminishing foreign-exchange returns," says Oxfam.

The primary obstacle to many poor countries is that the developed world sees these countries as a source of cheap raw materials to be exported and as markets for expensive, imported, manufactured goods, from Coca-Cola to Toyotas.

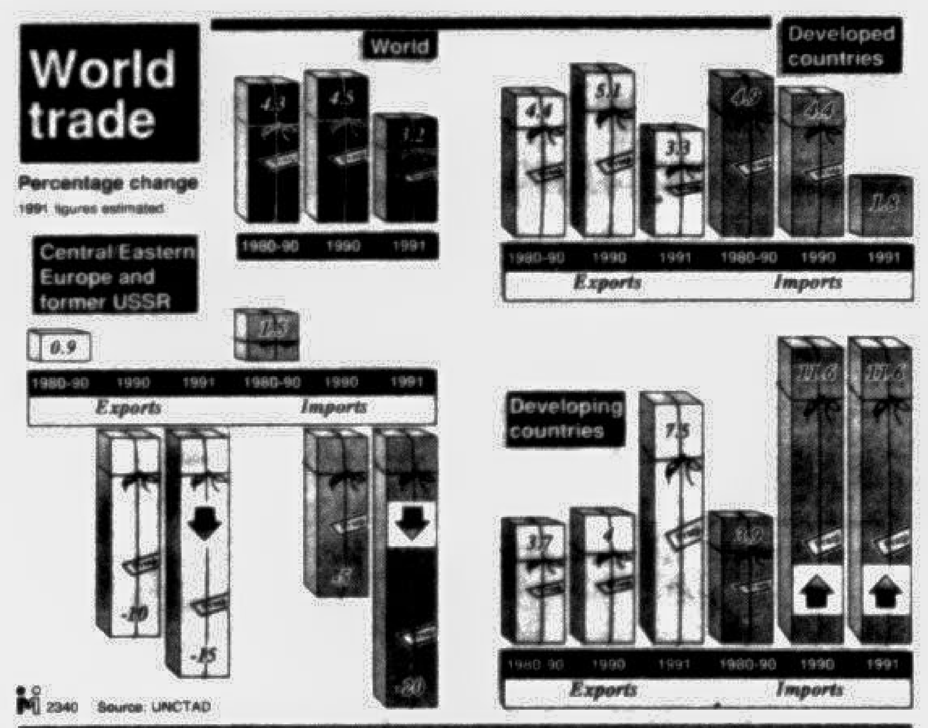
Hence, while developing countries have reduced their trade barriers resulting in greater imports, they have not seen corresponding action in the West, where heavy tariffs protect against many imports. For example, cocoa beans are tariffed at an average rate of 2.6 per cent, while chocolate, the higher-profit good descendant, is tariffed at 11.8 per cent.

Against this backdrop, then, author Michael Barratt Brown asks the question, why trade at all? In his new, eleventh book, Fair Trade — Reform and Realities in the International Trading System (Zed Books, London and New Jersey), it is not entirely clear that Brown, a British academic and a pioneer in the field of charity-minded trading organisations, believes there is an easy answer.

He writes: "So disastrous have been the results of cash cropping, tree felling and mineral extraction for the countries of the Third World over the last 200 years ... there is a powerful school of thought which argues the case for total self-reliance."

Multinational corporations such as Tate & Lyle Co, one of the dominant players in the sugar industry, Philip Moris, the world's largest cigarette maker, and diversified conglomerates such as Unilever and Nestle are seen through an eye suspicious of nearly all corporate actions as either tax dodges or out-and-out frauds.

"Why do such companies bother with the markets? The most obvious answer is that they can make money out of the markets by manipulation and speculation and can at the same time manage the prices of exchanges which they do not directly control."



Brown calls on his own experiences and some economic models developed in the 1960s but later forgotten, to sketch out a global trading system that might provide a more human approach. Brown's goal is to develop a system that can live up to the standards of the alternative trading organisations (ATOs), including Twin and Oxfam, which he describes as "a very special kind of middleman, very different from the sharks, coyotes and piranhas" which populate the conventional trading environment.

His parallel trading system would be roughly based on the work of Dr Andreas Goseco, with the UN Food and Agricultural Organisation in the 1960s. Goseco's ideal was to create a trade clearing union that could overcome the problem of creditworthiness for countries which either lack hard currency or access to credit through traditional sources.

Brown takes the system another step forward, advocating that a computerised system be used to help match the often complex multi-country deals. Countries which subscribe to the services of the clearing house would be connected online through electronic mail systems and other modern communications tools. In effect, the clearing house would become a fast, computerised juggler tossing orders and inventories of jute, bicycles, tin, coffee and so forth to the right places.

Wary of establishing a massive, ineffective bureaucracy, which Brown says was the chief reason for the downfall of the managed economies of the former Soviet Union, Brown says: "The great merit of a computerised parallel market of the kind here outlined is that it would not have to be centrally controlled or even need to have a large central staff of brokers and dealers. The staff at the clearing house would be required to operate the computer and see that disks were appropriately stored for retrieval, that subscriptions were paid."

However, although such a system might provide assistance to a small network of ATOs, for example coordinating orders between farmers' cooperatives and friendly importers, such as Oxfam, it is not likely to overcome one of the biggest obstacles to fair trade.

After all, it is not merely a lack of information about prices or orders for goods that hurts Third World farmers. It is the protectionist barriers used by developed countries to keep out low-cost imports.

So while Brown's new parallel trading model would accelerate some forms of trade in the developing world, and would provide an alternative form of credit to finance production or imports, it would not provide a solution to the high tariff barriers created in the West.

After all, it is not due to some inefficiency that such trade barriers exist. High tariffs, complex licensing procedures, cultural regulations and other non-tariff barriers are created by every country — the less developed as well — to protect politically sensitive industries whether they be the Japanese rice business, India's electronics trade or the Canadian beer industry.

So while Brown has identified one problem in the world trading system and has proposed a farm-friendly solution, it is by no means a cure for a very entrenched disease.

— GEMINI NEWS

About the Author: MICHAEL URLOCKER is a Canadian financial journalist on internship with Gemini News Service.

India fears shortfall in export of tea this year

CALCUTTA, June 6: A shortfall of 18 million kg in the export availability of tea has been projected for the current year according to industry sources, says PTI.

Stating that such a shortage might send the wrong signals to importers. The sources said that it might be necessary to squeeze domestic availability in the latter half of 1993.

In the current year tea production was expected to be 732 million kg while exports were being projected 190 million kg leaving a domestic availability of 560 million kg.

However, industry sources said that if all these projections were to materials then there would be a 18 million kg shortfall in the availability of tea for export.

Hinting at a price mechanism going into operation to dampen domestic consumption the sources said that there might be pressure on prices in the latter half of 1993 in the domestic markets.

Taiwanese team to attend APEC seminar in China

TAIPEI, June 6: Taiwan Saturday sent a government representative to attend a seminar sponsored by the Asia Pacific Economic Cooperation (APEC) forum in southern China next week, economic officials said, reports AFP.

Lin Yi-Fu, Deputy Director of the Board of Foreign Trade, was leading a four-member delegation to attend an APEC seminar scheduled for Monday in China's special economic zone Shenzhen, the officials said.

The Taiwan delegation, which includes a section chief from the medium and small business administration and two other business leaders represented the government at the APEC seminar which focuses on ways to promote exports.

Taiwan's nationalist government has long regarded the communist government in Beijing as its enemy after it was pushed off the mainland in a civil war ending in 1949.

Taiwan has banned direct contacts with China, but has relaxed its stance in recent years.

In February, the government here permitted four Chinese officials to attend a similar APEC meeting in Taipei.

Firms from Japan, US bidding for gas liquefaction project in Qatar

ABU DHABI, June 6: Three companies from Japan and the United States are bidding for a giant gas liquefaction project in Qatar that will also require the purchase of several tankers, a gulf newspaper reported Saturday, reports AFP.

The Sharjah-based Al-Khaleej said the project at the port of Ras Lafan, which would exploit the huge reserves of the north field, would eventually produce six million tonnes per year and cost five billion dollar.

It quoted Jaber-Al-Miri, Director of the State-run Qatari general petroleum company, as saying 70 per cent of the project would be financed through loans from a consortium of international banks.

"The project will cost around three billion dollar at a production capacity of four million tonnes per year and five billion dollar at a capacity of six million tonnes per year", Miri said.

The Qatari gas company, which oversees the project, has already secured clients for the output with a 25-year supply agreement with a Japanese firm, Al-Khaleej said. The deal will take effect in 1997.

Japan is the biggest single importer of Gulf oil and gas and its investments in the region of around 3.5 billion dollar are concentrated in the energy sector. It also lifts the bulk of liquefied gas produced in the United Arab Emirates (UAE) and growing needs have prompted that Gulf state to embark on a one-billion-dollar project to expand its gas liquefaction plant.

Prompted by increasing world environmental concerns, most Gulf states have started to pump more investment into the gas sector as a cleaner source of energy. Like their huge oil wealth, gas reserves in Qatar, the UAE and Saudi Arabia account for nearly seven per cent of the total world gas reserves of around 124 trillion cubic metre (4,133 trillion cubic feet).

Reporting from Doha, Al-Khaleej said the Ras Lafan project would require the purchase of seven tankers with a capacity of 4,050 cubic metre (135,000 cubic feet) each when the plant produces four million tonnes per year and 10 tankers when its output reaches six million tonnes per year. The seven tankers could cost about 1.8 billion dollar.

"As part of a drive to boost its income, Qatar has looked to other markets for its gas", it said. "Last year Miri visited South Korea and signed an initial agreement to supply four million tonnes of natural gas per year".

More Soviet states escape rouble zone

MOSCOW, June 6: Once upon a time the Soviet rouble was the only currency used across the length and breadth of the worlds biggest country, according to Reuter.

Speculating in foreign currencies was enough to earn a spell in a labour camp — or worse. But times have changed.

The 15 states formed when the Soviet Union fell apart in 1991 now use a series of currencies, from Estonia's fully convertible kroon to brightly coloured coupons — irreverently dubbed 'toy money' — used in Georgia, Ukraine and Belarus.

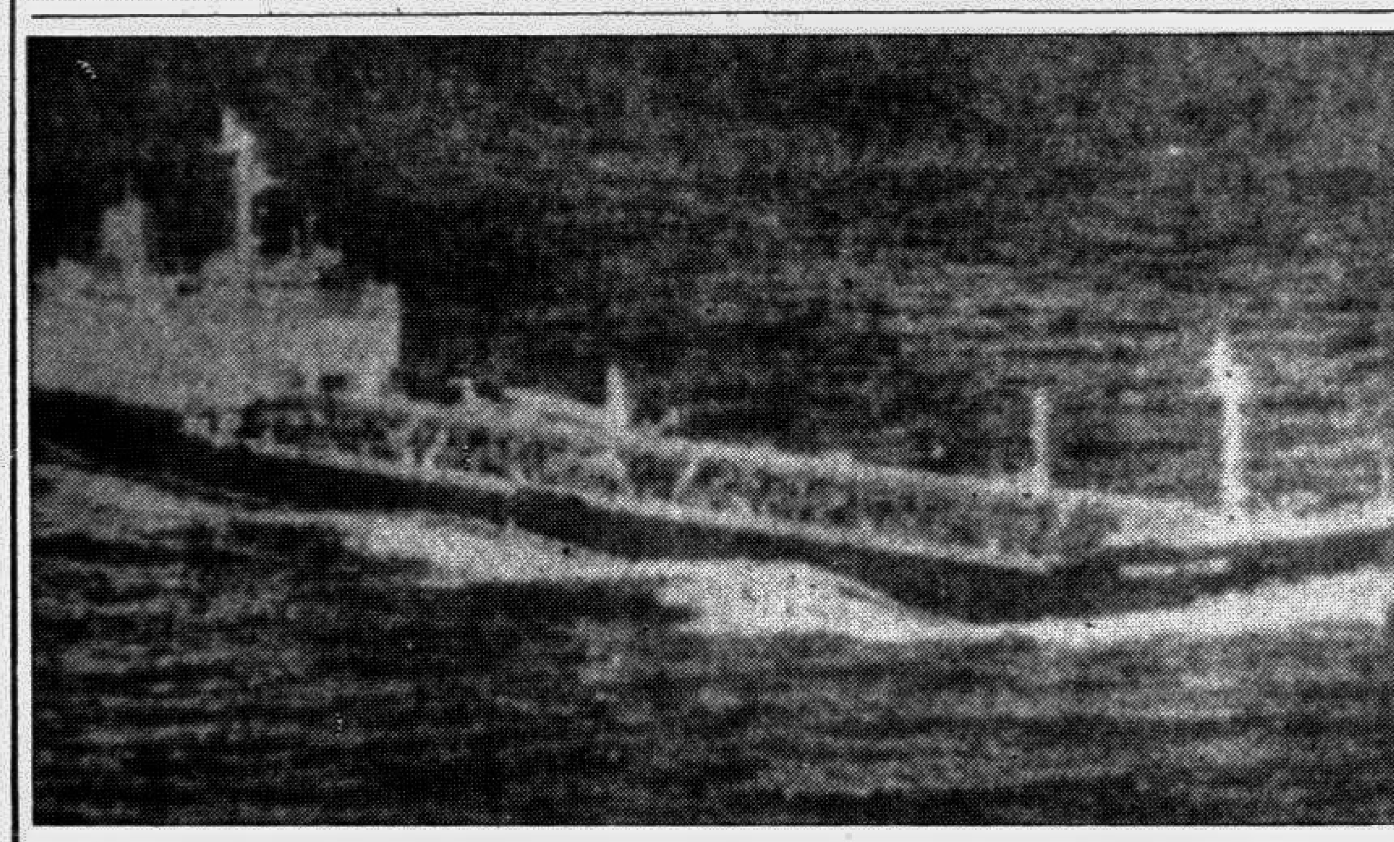
The dollar has become virtually a parallel currency — in Moscow at least.

The arguments for keeping the rouble as a single currency have faded, said one Russian economist. Russia does not want the other states to use its currency any more and they do not want to use it either.

Only the three Baaltic states, Ukraine and Kyrgyzstan have ditched the rouble altogether but several more former Soviet republics have introduced coupons as interim currencies circulating in parallel.

Russian Finance Minister Boris Fyodorov said this week that Moscow hoped more republics would launch their own money. The International Monetary Fund has dropped an earlier plea to the former Soviet states to maintain a currency union.

The balance of arguments has changed and to remain within the rouble area does not seem a very attractive option for most countries.



A British-registered oil tanker collided with a cargo ship 15 miles off the coast of Belgium Thursday and caught fire. The tanker was carrying light crude. — Star TV photo

Tourist sensation in Britain finally ends

SCARBOROUGH, England, June 6: A cliff-top hotel whose dramatic slide into the sea caused a tourist sensation in Britain finally collapsed late on Saturday, reports Reuter.

The 110-year-old Holbeck Hall Hotel became the biggest crowd-puller in the seaside resort of Scarborough as first its grounds, then its sun lunge and then its bayside rooms crashed into the sea in a creeping landslide.

Crowds of sightseers and reporters gathered to see the final moments of what the popular press dubbed a real "cliffhanger." One local entrepreneur even sold souvenir T-shirts.

Yeltsin asked to slow down inflation

MOSCOW, June 6: US Treasury Secretary Lloyd Bentsen on Saturday told President Boris Yeltsin western financial aid was tied to Russia's success in stabilising its currency, reports AFP.

Bentsen told reporters as he emerged from the meeting at the Kremlin that he had conveyed to the Russian leader the "absolute imperative to slow down inflation" and "get control of credits."

Yeltsin on Friday abruptly cancelled talks with Bentsen but the meeting was rescheduled for Saturday before the opening of the constitutional conference.

The Treasury Secretary, who arrived here on Thursday, said Russian officials "were optimistic about stabilised credits" after an agreement was reached on a tight monetary policy between the central bank and the Russian government.

"They understand that it is an imperative in so far as being able to get additional funds that overall have been committed, subject to that being done", Bentsen said.

He was referring to a 16 billion dollar aid package promised by the US at the Vancouver summit last April and to the larger 28 billion dollar fund put together by the group of seven industrialised countries.

The Russian government has brought monthly inflation down from its near-hyperinflation rate of 25 to 30 per cent in January

British Airways workers return to works

LONDON, June 6: British airways said workers were back on the job Saturday and planes were leaving on time, following a one-day strike by cabin crew and baggage handlers that caused severe disruptions, reports AP.

There were a number of stranded passengers who still had to be flown to their destinations after Friday's strike, but an airline spokesman said that would present no problems.

No airplanes were dislocated by the walkout of 17,000 members of the Transport and General Workers Union.

Just 29 British Airways planes left the country on long-haul international routes and short-haul European routes Friday, but all of them returned and others were still in place. The giant airline normally has about 500 daily flights.

Possible sharp rise in OPEC output quota worries world commodity markets

LONDON, June 6: The commodities markets were marked this week by a nervous oil sector ahead of the OPEC meeting to get underway in Geneva on June 8, dealers said, as the market worried about a possible large increase in the OPEC output quota for the year's third quarter, reports AFP.

Analysts fear that the usual rise in demand in the autumn, Kuwait's insistence on a higher quota, and tensions among members to get advantages may force the organisation to set a ceiling unsuitably above the level of real consumption.

As to the precious metals, platinum tried early in the week to break up through the 400-dollar-an-ounce mark, but Japanese sales brought the attempt to naught.

Gold tried to stabilise after its recent runup, but the threat of central bank sales in the wake of one by the Bank of Canada made operators cautious.

In foods, sugar rallied late in the week after Cuba's decision to suspend export contracts until further notice following a harvest fell. But the price rise was modest, as the market had anticipated some move.

Coffee was mixed after a favourable reception by African countries to the cooperation agreement made with Latin American producers for production control. The two sides are to meet the summer to develop plans.

On the London Metal Exchange, tin hit a record low, depressed by Malaysian threats to put an end to export controls, which it considers ineffective. Zinc also lost ground in reaction to Cominco's decision to reconsider a reduction in output at trail foundry.

Gold: Rally after an initial downtrend this week. Gold prices started weak under the pressure of profit-taking, but rallied late in the week, stimulated by US prospects for economic recovery.

But operators remained cautious due to fears of a wave of sales by central banks, which might follow the example of the Bank of Canada. An official report said it sold 348,000 ounces in may for 125 million US dollar.

Platinum: Down. Platinum prices, which rose the previous week to the highest level since April 1991, fell back this week on profit-taking and sales by producers, especially in Russia.

The market also suffered late in the week from a slowdown in Japanese buying due to the yen's dip against the dollar. Market uncertainty about a continuation of the yen's recent strong performance against the dollar prevented platinum from going over the psychological level of 400 dollar an ounce.

Silver: Recovery after an initial downtrend. Silver prices suffered early in the week from speculative sales, but then rallied somewhat in the wake of other precious metals.

Copper: Higher. Copper rose to its highest level for six weeks, pushed higher by short-covering and Chinese buying, tough the general outlook for the metal was still "uncertain", traders said.

Richard Osborne, Chairman of mining group Asarco, said copper stocks on the LME and New York exchanges would start to fall in the second half of 1993 because of increasing US demand.

Lead: Higher. Lead prices rose slightly after two producers said they were cutting output in response to low prices.

Overall, the production trend is still downward, analysts said, with producers in recent weeks ordering annual cuts of between 160,000 and 200,000 tonnes in combined output.

LME lead stocks rose 825 tonnes to a new record high of 258,700 tonnes.

Zinc: Lower. Zinc prices fell after North-American group Cominco said it had rescinded its earlier decision to close its trail zinc smelter in August.

Cominco's production cutbacks this year would now amount to only 25/30,000 tonnes rather than 50,000 tonnes as planned, the group said.

Aluminium: Unchanged. The aluminium price was almost unchanged over the week despite news that the two major North American producers, Alcoa and Reynolds Metals, have reached a tentative agreement with unions on a new three-year labour contract.

Analysts were relieved that a potentially huge disruption to the aluminium market had been removed.

LME aluminium stocks rose 10,000 tonnes to 1,814,875 tonnes.

Nickel: Higher. The nickel price fell early in the week on speculative and commission-house selling, but recovered later on short-covering and rose sharply toward the end of the week.

Nickel stocks rose 345 tonnes to a new high of 95,625 tonnes.

Tin: Lower but recovering. The price of tin fell on Tuesday to a record contract-low after more rumours that Malaysia was seeking an end to export quotas and fears that this would flood an already oversupplied market.

Prices were already low, at their lowest level in real terms since the 1950s on Tuesday, analysts said, and dropping to a life-of-contract low of 5,160 dollar per tonne before recovering slightly.

Dealers were alarmed after Malaysia and other members of the Association of Tin Producing Countries (APTC) threatened to disband a six-year export control scheme, saying the scheme has been sidestepped by non-members such as China and Brazil, and has been ineffective in raising prices.

Coffee: Irregular. Coffee prices fluctuated within a narrow range uncertain about prospects for a cooperation agreement between Latin American producers and African countries, and cautious in the face of frost threats in Brazil.

The African producers have backed the initiative of their Latin American counterparts, who have decided to cut exports and freeze stocks to get prices higher. They have indicated a willingness to work together along those lines, and a meeting should take place before summer.

Cocoa: Higher. Cocoa prices firmed, encouraged by sterling's weakness and Ivory Coast's maintenance of the embargo on its sales form the interim harvest.

But the gains were limited by rumours that the output of Ghana, the world's second-biggest producer, would be much higher in 1993/94 than initially forecast, and that it might be close to 300,000 tonnes. It should reach 260,000 tonnes for 1992/93.

Sugar: Rally after a hesitant start. Sugar prices, which started the week with a slight dip, clawed back losses after Cuba's announcement of a halt to exports because of the fall in its sugar production.

Cuban national company Cubazucar told all its customers on Friday that Cuba would not be in a position to met its commitments because of the decline in its harvest.

Production in Cuba, traditionally the world's biggest sugar exporter, should be no more than 4.2 million tonnes this year, against seven million in 1991/92, due to weather problems and a shortage of fuel and spare parts.

Vegetable oils: Irregular, sunflower oil prices remained quiet, indifferent to oil world statistics showing a reduction to 20.94 million tonnes in world output of sunflower seeds this year. But it said production should rally next year to 22.60 million tonnes in 1991/92, the world harvest was 22.64 million tonnes.

Palm oil prices continued to decline, affected by prospects for an increase in output by Malaysia, the world's leading producer.

Oil: Lower. Oil prices dipped a bit in nervous trading ahead of the quarterly OPEC meeting, slated for Geneva on June 8.

Analysts think the organisation will decide to raise its output ceiling for the third quarter to around 24 million barrels a day, against the previous 23.6 million. The reason is pressure by several members for higher quotas.

The increase in world demand normally noted in the fall should make it possible to absorb the additional supply. But operators fears real production may be markedly higher than the new ceiling due to some members' failure to abide by their commitments.

Rubber: Lower. Rubber prices, which tried to bounce back last week, lost ground this week on market disappointment with negotiations in Kuala Lumpur on a new international agreement. The annual reports of the International Natural Rubber Organisation said that world stocks (including 180,000 tonnes in the buffer stock) reached 1.66 million tonnes at the end of the year, against the previous 1.45 million.

Cereals: Down. Wheat and barley prices continued to weaken, falling to their lowest point since the start of the year. The market was cautious pending release by the US Department of Agriculture of funds for Russia.

Russian and US representatives this week continued to settle technical details on distribution of the 700 million dollar in food aid, including 200 million for shipping, granted by the United States in early April.

Tea: Quiet. Due to the week's being shortened by a holiday, brokers did not hold weekly auctions this week in London.

Prices stabilized on the world market after a decline in recent months, but trading was nervous after estimates by the International Tea Committee saying that the main producers harvests had risen sharply in the first quarter compared to the same period last year.

Cotton: Firmer. Cotton prices rose slightly in Liverpool on the prospect of smaller world production and of a recovery of the American textile industry. But the market remained cautious due to the high level of world stocks.

Wool: Lower. Wool prices fell on the bradford market, while the Australian market firmed due to lower supply in connection with the end of the wool season in the southern hemisphere. But huge world stocks and world overproduction limit prospects for any upward movement.