

Asia welcomes Tokyo summit results

UNDATED, July 11: Asian countries have welcomed the results of the Group of Seven (G-7) summit held in Tokyo this week, and attention is now turning to Geneva to see if good intentions in Tokyo can turn into a completed GATT agreement, reports AFP.

The G-7 summit ended Friday with a declaration saying the group's highest economic priority was the successful conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and curbing protectionism.

Trade ministers from the United States, Canada, the European Community and Japan hammered out a deal for major tariff cuts and a framework for the dropping of other trade barriers hours before the G-7 summit began Wednesday.

China welcomed the tariff cuts, saying they represented a step forward in completing the Uruguay Round. Foreign Ministry spokesman Wu Jianmin said at a press briefing Thursday. But he said obstacles still remained over issues such as agriculture.

Wu urged the western powers to continue efforts to conclude talks in order to enhance the multilateral trading system and check trade protectionism.

"China hopes that the actions taken by the seven nations could facilitate the growth of the world economy and stability and peace of the world situation," he added.

In Australia, a spokesman for Trade Minister Peter Cook today described the outcome of the Tokyo meeting as "very encouraging for Australia," but said concrete measures had

been lacking on economic growth and unemployment.

"We believe the emphasis given by the G-7 in their communique to giving the highest priority in conclusion of the round shows clearly that the political leadership needed to complete the round that has been so lacking among the major now exists," the spokesman said.

He said Australia also welcomed the G-7 decision to offer practical and substantial assistance to Russia.

The national newspaper, The Australian, also said today that the decision to lower tariffs was an achievement of positive significance for Australia.

Singapore welcomed the agreement on tariff cuts and said "it was more optimistic for the possible conclusion of the Uruguay Round negotiations by

the end of the year," the trade and industry ministry said in a statement Friday.

It added that it was encouraged by the agreement between the majors in Tokyo on market access in many sectors of industrial goods.

But the statement added that a number of contentious issues remained that could stall negotiations.

Malaysia's International Trade and Industry Minister Rafidah Aziz said today the G-7 decision on GATT was "an optimistic start" towards a global trade pact.

She added that she hoped the opening up of markets between developed countries could be later extended to countries outside the G-7.

Indian Finance Minister Manmohan Singh told AFP today he was encouraged by the

G-7 commitment to the successful conclusion of the Uruguay Round.

"Protectionism must be curbed and it is in the interest of all countries concerned that trade wars should be avoided," he said.

The Indian daily Economic Times said Saturday the Tokyo agreement was a "light at the end of the tunnel" for the conclusion of the Uruguay Round.

The seven-year-old Uruguay Round of GATT negotiations was originally scheduled for conclusion by the end of 1990, but has been delayed by differences over farm subsidies between the United States and the European Community.

The G-7 groups — Britain, Canada, France, Germany, Italy, Japan and the United States.

G-7 to scale down elaborate annual summit

TOKYO, July 11: After almost two decades of raising expectations they then often failed to meet, the Group of Seven (G-7) industrial nations has decided to scale down its elaborate annual summits in both word and deed, reports Reuters.

Leaders of the world's richest economies, often considered capitalists board of directors, have been talking vaguely for several years about cutting back on all the pomp and paperwork their three-day huddles produce.

But it took some very sobering realities — like their repeated failure to end the world recession or stubborn unemployment or the bloodshed in Bosnia — to prompt them to take a more serious look at get-

ting back to basics when they meet in Tokyo last week for the 19th in the series of annual meetings.

British Prime Minister John Major, the most outspoken supporter of a slimmer summit, met the problem head-on in his opening remarks at the opulent French-style Akasaka Palace.

"At the last two summits, we expressed cautious optimism about the world economy," he reminded his fellow leaders from the United States, Japan, Germany, France, Canada and Italy.

"We were wrong. The slow-down in activity went on."

He later characterised the summit, which have gone from a cosy fireside chat at Ram-

bouillet Castle outside Paris in 1975 to elaborately choreographed mega-events, as "too bureaucratic, too pre-cooked."

This new sober realism, shared by the other leaders who saw the real reason to meet as informal talks to help smooth the path of international cooperation, marked a fresh contrast to the promise-and-pledge style still more evident in Munich in 1992.

The 1992 summiters turned the G-7's mantra-like calls for an end to GATT (General Agreement on Tariffs and Trade) world trade talks into a deadline at the end of that year.

It came and went without a solution.

World financial markets looking to Japan ahead of election

LONDON, July 11: The world's financial markets will look to the east next week as Japan prepares for a general election on Sunday, July 18, economists said, reports Reuters.

All the signs are that the Liberal Democratic Party (LDP) will lose its exclusive grip on power for the first time since 1945. But markets may escape the event untroubled, with many economists predicting little change to Japanese economic policy.

Elsewhere, US inflation figures could cause speculation that a US monetary policy tightening is on the way, economists say. Other data are forecast to show the economy still fragile.

Some Japanese commentators have predicted a coalition government of the Japan

Renewal Party, an LDP splinter group, and the socialists.

"All the opinion polls suggest a hung parliament," said Stuart Thomson, international economist at Nikko Securities, assuming that, "the first priority will be political reform. Economic policy will take a back seat."

He was sceptical the LDP will suffer badly as many expect. "In times of economic hardship, voters become more rather than less conservative. I think the LDP will do better than is currently expected," he said, tipping an LDP/ Japan New Party coalition, headed by former premier Toshiki Kaifu.

In terms of economic policy, economists say it is doubtful any combination of parties will make much difference. Many expect a cut in Japan's official

discount rate by late summer or early autumn, regardless of the election's outcome.

"It's all pretty depressing picture for the Japanese economy," said Alan Capper, chief economist LTCB in London.

In the US producer and consumer price data for June are scheduled on Tuesday and Wednesday.

Forecasts are for a 0.3 per cent fall in the CPI, for a 1.5 per cent on-year rise, with the CPI inching up 0.1 per cent, 3.1 per cent year-on-year.

Bankamerica economist Adrian Cunningham said after jitters about inflation earlier this year and talk the Federal Reserve was prepared to tighten, June prices will be broadly flat.

"That should extinguish talk that the Fed is prepared to

tighten policy," Cunningham said. "Basically everything still points to subdued growth."

Sales are seen up 0.4 per cent with production contracting 0.1 per cent. "Next week's data will be very, very weak," said Marie Owens Thomsen, an economist Midland Global Markets in London. "I can't see anything leading to a (fed) tightening in the short term."

In Germany, next week's Bundesbank meeting is considered unlikely to generate its customary excitement as few economists predict a cut in rates.

The UK has a big week for data with everything from producer and retail prices, through industrial and manufacturing production, to unemployment figures due out.

China raises interest rate

BEIJING, July 11: In a bid to reduce acute inflation, China announced Saturday interest rate rises on deposits averaging 1.72 per cent and hikes on bank loans of 1.38 per cent, reports AFP.

Rates for one-year deposits will rise from 9.18 per cent to 10.98 per cent when the increases take effect Sunday, while the rates on long-term savings accounts with terms of between three and eight years will be pegged to inflation for the first time.

Before May 15, when the people's Bank of China raised interest rates for the first time in a bid to curb excessive bank credit and bring soaring inflation under control, the one-year deposit rate stood at 7.56 per cent.

At that time, interest on fixed private savings increased by an average 2.18 percentage points and on bank loans by 0.82 percentage points.

Economic growth surged 14 per cent in the first five months of the year and the cost of living in major cities is now increasing at about 20 per cent annually.

The move is the latest in a series announced by the central bank to cool the overheated economy since the appointment July 2 of trouble-shooter Vice Premier Zhu Rongji as governor.

400 Filipino domestic workers flown back from Kuwait

KUWAIT, July 11: About 400 Filipino domestic workers alleging mistreatment by employers have been flown home in groups over the past two weeks, the Philippines embassy said today, reports Reuters.

The departure of 101 Filipinos at around midnight on Friday on a flight to Manila nearly completed a Kuwaiti-funded repatriation plan for 424 maids who had been at an embassy-run refuge.

Consul General Wenceslao Quiroga said by telephone about 20 maids remained. Most were ill and required further medical attention before flying home, he said without elaborating.

The refuge is due to be closed down when all the maids have left. The first repatriation flight was on June 28.

Kuwait's Crown Prince and Prime Minister, Sheikh Saad Al-Abdulla Al-Sabah, was paying all travel costs, he said.

The maids had fled to the embassy alleging mistreatment including non-payment of wages and rape or other physical abuse. Some had lived at the refuge for a year.

About 150,000 Asian domestic servants, 10,000 of them Filipinos, work in Kuwait.

Kuwait officials say the reports of abuse are either made up or exaggerated by a minority of women who want to get out of contracts and go home.



Pubali Bank Employees Union (CBA) yesterday marched towards Jatiya Sangsad and submitted a memorandum to the Speaker containing various demands. — Star photo

Russia, Ukraine, Belarus to form economic union

MOSCOW, July 11: The three former Soviet republics of Russia, Ukraine and Belarus agreed on Saturday to form an economic union in a bid to repair links shattered by the collapse of the Soviet Union, reports Reuters.

Itar-Tass news agency said the Prime Ministers of the three nations, meeting measures to integrate their economies.

They instructed experts to come up with a treaty for signing by September this year. The

premiers did not reveal details of Saturday's agreement.

"For our nations the signing of this agreement will be an historic event," Russian Prime Minister Viktor Chernomyrdin said after the signing. "We are moving forwards, integrating the economies of our countries in every way."

The collapse of the Soviet Union into 15 independent republics in late 1991 destroyed many economic links built up over decades and plunged most

of the new states into crisis.

At last common sense has prevailed," said Belarus Prime Minister Vyacheslav Kebich.

Russian Deputy Prime Minister Alexander Shokhin said the union would be open to any country which did not join any other economic unions or alliances.

Chernomyrdin said earlier the talks would focus on solving problems linked to newly-created customs services which industry complains are severely hampering the transit of goods.

US-Japanese pact for new economic partnership offers little hope

TOKYO, July 11: The US-Japanese pact aimed at creating a "new economic partnership" looks more like a framework for future bilateral friction, reports Reuters.

"The talks will start with (the two nations) in bed with different dreams," blared a headline in the financial daily Nihon Keizai Shimbun today, one day after the accord was reached.

There is a fear that once the talks start, the differences in the two countries' understanding will surface.

Under the pact, announced on Saturday after days of tough bargaining, Japan agreed to promote growth led by domestic

demand, increase market access, and stimulate imports and services, all to cut its current account surplus.

The United States, in return, agreed to reduce its budget deficit, promote domestic savings and strengthen international competitiveness.

The two nations will discuss Japanese government procurement of foreign goods and services, such as computers and satellites, Japanese regulations and guidance that inhibit market access, and ways to expand sales of foreign parts, such as for automobiles, to Japanese firms.

They will also focus on is-

suces affecting foreign direct investment in Japan and the United States and on ensuring implementation of existing bilateral arrangements.

The talks had been stalled over US demands that Japan set numerical targets for cutting its mammoth current account surplus and for opening specific sectors to more imports.

Proposed by Prime Minister Kiichi Miyazawa, officials hustled to reach an accord before US President Bill Clinton, here for the Group of Seven (G-7) summit of leading industrial nations, left Japan on Saturday.

Miyazawa, whose scandal-ridden ruling Liberal Democra-

tic Party (LDP) could well lose its 38-year hold on power in a general election on July 18, hoped to show Japanese voters the LDP could manage vital US-Japanese ties better than rivals.

In their haste, negotiators appeared to have left key points vague and set the stage for future disputes.

The pact included no numerical target for cutting Japan's surplus of nearly 120 billion dollar in goods and services.

But US officials immediately said Washington expected Tokyo to cut its surplus to between 1.5 and 2.0 per cent of gross domestic product (GDP) over the next four to five years.

Clinton, Democrats face tough test before reaching budget compromise

WASHINGTON, July 11: Congress returns from recess next week with the credibility of Democrats and President Clinton riding on their ability to fashion a budget compromise and enact it into law, reports Reuters.

"Democrats are going to be judged on whether they can lead," said Stan Colander, director of federal budget policy for Price Waterhouse. Clinton campaigned on a promise to lead the country out of recession, breaking the gridlock caused by a government divided between a Republican President and Democratic Congress.

But since Clinton took office the economic recovery has moved at a snail's pace and the

Democrat's popularity has plunged. He was embarrassed by his inability to overcome a Senate Republican filibuster against his stimulus bill.

Now the President has staked his future on his ability to pass a five-year, 500 billion dollar deficit-reduction plan.

In a CNN interview Friday, in Tokyo at the end of the Group of Seven meeting, Clinton exhorted Congress to pass his package, balanced between tax increases and cuts in Medicare and other mandatory programmes.

The leaders of Congress back home should know that this is going to work, that the American people in the end will really respect them for bringing

this deficit down, for bringing interest rates down, for getting some growth back in the economy," he said.

If this attempt fails, Democrats fear heightened scepticism about their ability to govern for years to come.

House and Senate Democrats have passed differing versions of the budget bill by razor-thin margins—219-213 in the House and 50-49 in the Senate, where Vice President Al Gore cast a tie-breaking vote. No Republicans backed the measures.

Congressional leaders must now compromise on differences between the two bills while trying to overcome divisions in their ranks and preserve their

fragile majority.

A conference committee of House members and Senators — with plenty of input from the administration — is expected to be working on the compromise next week.

In the House, urban Democrats — particularly those in the Congressional black caucus — are demanding a series of tax breaks to encourage investment in poor urban areas in so-called "empowerment zones."

That would cost 5.3 billion dollar, but without the votes of the 38 black caucus Democrats a compromise will fail. The House paid for the empowerment zones — and many other things — with a broad-based levy on the heat content of fuel.

North Sea crude dips below \$17 a barrel, gold approaches \$400 an ounce

LONDON, July 11: The price of Brent North Sea crude oil fell below 17 dollar a barrel this week, to its lowest level since January 1991, on fears that the United Nations was about to lift partially its oil embargo on Iraq, reports AFP.

Precious metals were also in the news after an initial rise in the price of gold, silver and platinum following speculative buying which then turned into selling as dealers engaged in profit-taking.

On the London Metal Exchange, CME, the gloomy economic outlook in Europe and a growth in stocks hit most metals. Lead touched its lowest point for seven years and nickel fell to 5.5 year low.

Gold: Lower after early rise. At the start of the week the gold price reached its highest point since January 1991, but then fell back on profit-taking on its recent rise.

Over the first two sessions, gold rose 10 dollar, bringing its rise since February to 23 per cent, following speculative buying and renewed purchases from China.

Silver: Sharply higher. Silver rose to five dollar an ounce for the first time since May 1990, boosted by the return of investor and industrial confidence in the metal.

The gains were pared back slightly at the end of the week in line with gold.

Platinum: Slightly Higher. Like the other precious metals, platinum started out the week sharply higher, reaching its highest level since the end of the Gulf War in January 1991, before falling back on profit-taking.

Copper: Higher Copper price rose steadily this week, pushed Gold came close to the important 400 dollar an ounce level and silver broke through five dollar an ounce.

Among soft goods, the coffee price rose five per cent after an agreement reached among South American and Central

American coffee producers at San Salvador to withhold 20 per cent of exports from October 1.

Lead: Slightly Lower. Lead prices dropped at the start of the week because of the generally poor level of demand, down again to a seven year low before rising at the week's end in the wake of copper.

With Most of continental Europe in recession, recovery in Japan still months away and recovery in the United States still far from robust, "The chances of a demand-led boost for metals in the remainder of this year are slim," Angus Macmillan of Billion Enithoven Metals said.

Zinc: Unchanged. Zinc prices ended unchanged, recovering in line with copper after falling at the start of the week following the failure of output talks in Brussels.

Plans to put together a coordinated shutdown programme for the European zinc industry had "hit a snag", officials at the Brussels-based industry group Eurometals said.

Aluminum: Lower. Aluminium prices fell over the week, recovering slightly toward the end but still down on profit-taking after its recent rise.

The aluminium price rose at the start of the week to its highest point since February but then fell back on profit-taking.

Nickel: Lower Nickel prices fell, depressed by a rise in stocks after renewed Russian nickel shipments to the west, with significant tonnages awaiting processing near European warehouse sites.

Nickel price fell to a 5.5 year low midweek before recovering slightly at the end when dealers said prices had fallen too fast and too far.

Tin: Slightly lower. Tin price fell early in the week, recovering later in the general rally led by copper, and ended the week only slightly down.

Coffee: Higher. The price of coffee rose five per cent, boosted by an accord among South and Central American coffee producing countries to hold back 20 per cent of their exports from October.

Brazil, Colombia and the five central American coffee producing countries decided at San Salvador to cut exports by 20 per cent rather than the 15 per cent they had decided at a meeting at Managua in June.

Sugar: Slightly higher. Sugar traded in a narrow range with dealers cautious on rumours that Cuba might recommence exports sooner than expected.

At the start of June, Cuba suspended exports and announced a harvest of 4.2 million tonnes, down from seven million last year.

Vegetable oil: Sharply higher. The price of vegetable oil rose, pushed higher by soy prices following the flooding in the US Midwest.

Soya rose to its highest prices for four years on fears of a major cut in US output after the floods.

Oil: Sharply lower. The price of Brent North Sea crude oil fell to its lowest level since January 1991, below 17 dollar a barrel, after negotiations between the United Nations and Iraq on a partial lifting of a UN embargo on Iraqi oil sales.

Baghdad and New York started their negotiations July 7 in a bid to see how Iraq could restart sales up to a value of 1.6 billion dollar in order to finance humanitarian needs.

Iraq has until now refused to sell the oil claiming the UN's insistence that any money be used for humanitarian purposes was and infringement of its sovereignty.

Meanwhile the Gabonese President of OPEC, Jean Ping, said he was watching the oil price closely, ready to call an extraordinary meeting of OPEC Minister if necessary.

Rubber: Stable. The price of natural rubber was steady on the London market, indifferent to a fall in the pound and renewed Chinese buying.

Chinese buyers left the market six months ago after a fall in the yuan but have recently started buying again, dealers said.

Analysts said Chinese demand for rubber, which reached 640,000 tonnes in 1992, would reach 690,000 tonnes this year despite the lack of buying earlier.

Grains: Slightly higher. After falling sharply in recent months, the prices of wheat and barley rose to their highest point for two months following heavy rains in the US grain producing regions which held up the winter wheat harvest and threatened disease.

The market remained largely unaffected, however, by the market access agreement reached in Tokyo between Canada, the EC Japan and the United States on cuts in trade tariffs.

The agreement was seen as making a successful settlement of the GATT trade talks more likely.

Tea: Steady. The price of tea, which fell by a quarter in the first half, was stable ahead of official figures on the size of the world harvest.

According to local sources, production in Sri Lanka, the world's largest tea exporter, is likely to reach 225 million kilos this year against 176 million in 1992.

Cotton: Slightly higher. After falling at the start of the week to its lowest level of the year, cotton rose on the Liverpool market following the fall of the pound against the dollar.

Cotton was boosted by industrial buying from continental Europe, profiting from the fall of the pound.

Wool: Lower. The price of wool continued to fall at Bradford, affected by the slowing up of the textile industry in Europe and by the high level of stocks.