Yeltsin urged to intervene

Russian Finance Minister blasts move to withdraw old roubles

MOSCOW, July 26: Russian Finance Minister Boris Fyodorov lashed out Sunday at the Central Bank's surprise plan to invalidate billions of old rouble notes, as reports said President Boris Yeltsin had not been fully told of the measure, reports AP.

A television broadcast Sunday night also called on Yeltsin to intervene to change the harsh measure, warning the president that he could face severe attacks from opponents over the plan.

One former Soviet state and a Russian region said they would ignore the measure, apparently to rebel against Russian efforts to get them to sign economic agreements in Moscow.

The plan announced Saturday said that starting at midnight Sunday, only banknotes printed this year will be valid. Russians will have two weeks to exchange old bills for new, but they will be limited to getting 35,000 rouble (35 dollar) in cash — about five weeks' average wages.

Any amount above that will be credited to a savings account that cannot be touched for six months.

The Central Bank's politically explosive step is aimed at cooling inflation — currently about 18 per cent a month — by forcing cash off the streets and combating counterfeiting. It will liquidate up to 20 per cent of the rouble supply, which is outside Russia's control in other former Soviet republics.

Fyodorov, who learned about the step during a trip to the United States, called it an "economically senseless action, harmful to the people and bearing unpredictable political consequences," and said he was interrupting his visit to return home, Commonwealth television reported.

It was the first sign of government disapproval of the plan.

Earlier, the government said it backed the measure, although in the past members of the government have blamed the bank for fueling inflation by printing too much money.

The TV's prestigious Itogi (Summing Up) programme suggested that the measure was a "well-thought political provocation" against Yeltsin, who reportedly did not know all the details of the plan in advance.

Itogi host Yevgeny Kiselev, known for his close ties with Yeltsin aides, said the president should issue a decree amending the rules of exchange.

He added that Yeltsin appeared to be "tricked" by his political enemies who wanted to deprive the president of a victory gained in an April referendum on his rule.

Yeltsin on Sunday interrupted his vacation and returned to Moscow to face attacks by hard-line lawmakers on his reforms. But he made no comment on Sunday on the rouble measure.

Russians, meanwhile, lined up a second day at stores to try and unload their old roubles. Many said they felt that the plan amounted to depriving them of their savings.

Most Russians rely entirely on cash and have avoided putting money in banks because interest rates have rarely kept up with inflation during Russia's painful shift to market economy.

Banks were closed and shoppers lined up to try to unload old rouble at stores on a day when business usually is slow. People crowded into subway stations to buy monthly passes with old rouble.

Marina Plotnikova, 25, who supports a small son, complained that "people in this country are left to the mercy of fate, and the authorities could not care less about them."

Private street vendors hung signs in their kiosks saying they would take old rouble at a 10 per cent surcharge, meaning a pair of Chinese tennis shoes at one kiosk cost 10,000 new rouble but 11,000 old rouble.

In St. Petersburg, most stores were shuttered and most kiosk owners were refusing all rouble printed before 1993.

An instant black market trade in roubles sprang up. In the Far Eastern region of Birobidzhan, private money traders were paying 2,500 to 3,000 new rouble for 5,000 old rouble, the ITAR-Tass news agency reported.

Grigory Yavlinsky, a radical economist and former adviser to Yeltsin, ITAR-Tass reported, said he agreed with the basic thrust of the measure and the need to counteract inflation.

But he said authorities imposed too quickly an exchange deadline that was too restrictive on the amount of cash to be given out.

The former Soviet republic of Armenia, which uses the rouble in its economy, will still allow its people to use old ruble, its Central Bank chairman, Isak Isakian, told The Associated Press on Sunday.

The southern Russian territory of Chechenya, which has declared independence from Moscow rule, also said it would ignore the invalidation of old roubles, ITAR-Tass reported.

Georgia to dump rouble in August

TBILISI (Georgia), July 26: The former Soviet Republic of Georgia will abandon the Russian rouble next month after Russia's shock decision to withdraw old bank notes from circulation, Prime Minister Tengiz Sigua told local Television, reports Reuter.

Sigua said Georgia would allow citizens to swap up to 100,000 old-style Russian roubles (worth about 100 dollar), for Georgian coupons within the next week at one rouble per coupon.

After August 2 the coupon, introduced earlier this year to supplement scarce roubles, would completely replace the former Soviet currency, Sigua said.

Russia said on Saturday that it would accept only bank notes printed after 1993 as legal tender, abandoning old bank notes dating from the Soviet era and early Russian notes.

Russians could swap up to 35,000 old style notes (worth 35 dollar) for new notes at par, but sums in excess of that would have to be deposited in savings banks for six months.

In the Georgian capital Tbilisi local shops stopped taking roubles as soon as they heard the news from Moscow.

Belarussian currency plunges

MINSK, July 25: The interim currency of Belarus fell sharply after Russian authorities announced the withdrawal within two days of all pre-1993 banknotes, reports Reuter.

Authorities in the former Soviet republic sent a telegram to Kremlin authorities seeking an explanation of Moscow's drastic monetary reform and pondered whether to speed up introduction of a full-fledged currency.

The Belarussian rouble commonly known as the "zaichik" or hare, fell steeply against the 1993 Russian currency, which enjoyed a premium in part due to its limited supply.

The zaichik traded at two to the new Russian rouble in street trading after the announcement of the move, from 1.2 per rouble on Friday.

Traders said the announcement that old Russian notes would be illegal tender after Monday not only pushed up the rouble's value but gave it enhanced status almost akin to that of the dollar in buying and selling goods.

The old roubles remained legal tender instate shops and were accepted one-to-one to the Belarussian currency.

Alexander Sorokin, Deputy Chairman of the Belarussian National Bank, told reporters the government had asked for an urgent explanation of the reform of Russia's monetary system but had yet to receive a reply.

Authorities have been debating whether to remain in the rouble zone, saying Russia had been pressing for Minsk either to abandon the rouble or adopt Russian monetary policy.

The Russian central bank and government both stressed the move was not aimed against former Soviet republics, all of which still use the rouble except the Baltic states, Ukraine and Kyrgyzstan.

Tajikistan to defend rouble savings

MOSCOW, July 26: Tajikistan told its citizens today it would defend their rouble savings following Russia's decision to make all pre-1993 notes obsolete, says Reuter.

A statement by the central bank of the Central Asian country said citizens would be able to trade in their old rouble for new ones, but it did not specify any restrictions on the amount that could be exchanged.

China's machinery, electrical goods export rise

BEIJING, July 26: China sold 8.77 billion dollar in machinery and electrical goods during the first half of 1993, an increase of 9.7 per cent from last year, the official China Daily reported Monday, says AP.

According to Chinese customs statistics, the goods made up 23.6 per cent of China's exports for the six-month period, which totaled 37.15 billion dollar. Chinese exports remain dominated by textiles, clothing and agricultural goods but the government has been trying to promote more expensive exports.

The biggest market for Chinese machines and electrical products is in Asia, the newspaper said, but purchases by the United States and Europe climbed sharply this year.

Kamaluddin Ahmed, Deputy Governor of Bangladesh Bank, distributing certificates as chief guest among the newly appointed Assistant Directors of the bank after completion of their foundation course.

Reuters to give back cash to shareholders

LONDON, July 26: International news and information organisation Reuters holdings PLC said today it planned to give back a substantial portion of its cash reserves to shareholders by repurchasing some of its shares, reports Reuter.

It aims to use up to 350 million pound (525 million dollar) of its cash mountain to buy back about 5.8 per cent of its issued shares at 14 pound per share, fractionally below Friday's closing price in London of 14.04 pound.

In the United States, the buy back price would be the dollar equivalent of 42 pound per American Depository Receipt (ADR).

Reuters, due to report results for the six months to June 30 on Tuesday, had 709.8 million pound (just over one billion at current exchange rates) in cash reserves at the end of 1992.

Three Japanese banks start brokerages under liberal laws

TOKYO, July 26: Three Japanese banks opened brokerages Monday in the first step toward increased financial deregulations promised in a law passed last April, reports AP.

Following small tape-cutting ceremonies Monday morning, the three new firms — IBJ Securities Co., Norinchukin Securities Co. and LTCD Securities Co.— opened their doors to customers. They are limited, however, mainly to the underwriting and sales of bonds, including government bonds.

The opening of the wholly owned subsidiaries followed the enactment in April of Japan's financial liberalisations law, allowing banks and securities firms to engage in each other's type of business.

Japan's major brokerages are preparing to set up trust bank subsidiaries this autumn that would enable them, in limited cases to manage money or land entrusted to them by investors.

But the nation's big retail banks, which are called "city banks" in Japan, have to wait until next year to open their new brokerage firms as the Finance Ministry monitors the impact of liberalisation.

Unlike its US counterpart, the Finance Ministry has enormous authority over the financial industry, including granting permission to financial institutions to set up new firms.

The start-ups of the three firms came at a time when the stock market remained anemic amid Japan's sluggish economy over the past three years.

The 225-issue Nikkei Stock Average, the most widely watched indicator, closed at 19,734.57 points at the end of Monday's morning session, down 49.14 per cent from its record high at 38,915.87 point finish posted on Dec. 30, 1989.

In Aug. 18, last year, the Nikkei plunged to 14,309.41 points, the lowest closing figure in more than six years. A losing investor-confidence in stock market had largely been stemmed from a series of scandals exposed after Japan's "bubble economy" in easy-credit, late 1980s, burst.

"We are setting out in business step by step, and steady fastly," said Keiki Kimura, senior manager of the newly opened IBJ Securities.

Kimura said the new firms are not allowed to engage in handling stock trading, but are hoping for the ministry to liberalise it in the future.

LBJ Securities, a subsidiary of Industrial Bank of Japan, is capitalized at 25 billion yen (233 million dollar) and has 138 workers.

Latinos learn to live with new colossus

Writes from Mexico City

The shadow of the colossus of the North looms large over the Latin American landscape. But, distinct from the halcyon days of "Yanqui imperialism", today the sobriquet of colossus is just as apt to be applied to Mexico as it is to its immediate neighbour to the north.

With 37 per cent of Latin American oil production, three out of the five largest banks in the Americas, and double the activity of every economy save for Brazil's, Mexico is a hemispheric power, capable of generating the sort of resentment that North Americans used to breed.

In February, AeroMexico - the nation's second carrier - cut a 54-million dollar deal to buy out AeroPeru, the Peruvian national airline. Mexican industrialists are now bidding on major mining, chemical, banking, and telecommunications interests as President Alberto Fujimori privatises the Peruvian economy.

The Mexican-owned Del Monte Fresh Produce Corporation, based in Dominican Republic, is buying up small banana producers around the Caribbean in an expansion campaign.

Televisa, the Mexican communications giant last year launched the "Channel of the Americas," designed to hawk Mexico's products, culture, and credos to 470 million potential consumers from the Yucatan to Tierra del Fuego.

Oil remains one of Mexico's strongest cards in the Latin power game. Today, technicians from PEMEX, the fast-privatising national oil consortium, are drilling new fields in Colombia, Ecuador and Peru. The Land of the Aztecs sometimes throws its petroleum-enriched weight around in a manner reminiscent of the infamous Seven Sisters - the US- British cartel that once dominated Latin production.

Under the decade-old San Jose Pact, Mexico and Venezuela supply nine Central American and Caribbean nations with low cost oil deliveries. But the pact is also an instrument of Mexican foreign policy, extending long-term credit only where it serves Mexican interests.

One current example is the PEMEX-enforced embargo on Haitian oil shipments. But such policies have taken strange turns in the past: in 1986, Mexico, seeking to strengthen ties with the Reagan administration, cut off oil shipments to the Sandinista government in Nicaragua.

PEMEX has refused o deliver even privately-bought oil shipments to Cuba-despite repeated government denunciations of the US imposed economic boycott of that beleaguered island republic.

The accidents of geography have moulded Mexico's image as an historical opponent of North American domination and many Mexicans are uncomfortable with their nation's power role in the hemisphere.

"We are letting down the rest of Latin America," said former Under-secretary of Foreign Affairs Ricardo Valero, now a director of the opposition Party of the Democratic Revolution (PRD). "Our revolution was once a light of hope for those struggling against North American imperialism. Now we are becoming more like the North Americans."

Under President Salinas, Mexico is ardently seeking to finalise a North American free trade agreement (NAFTA) with Canada and the US that will impulse a fundamental geo-political shift, making the nation the southern-most one in North America rather than the northern-most one in Latin America.

But to NAFTA's signatories, Mexico's position as a gateway to nearly half a million new customers all the way to the tip of the continent is as important as its inclusion in the North American trade zone.

In preparation for trans-American economic integration, Mexico is forging a series of mini free trade pacts with other Latin partners. A treaty with Chile has already been concluded and negotiations continue on similar agreements with Venezuela and Colombia (with Mexico, they from the influential regional Group of Three) and with five neighbouring Central American republics.

The free trade wheeling and dealing has made some Latins a little leery of Mexico's intentions, Says Guido Willis, the Costa Rican consul in Mexico City: "Our industrialists have the same fear of signing a free trade treaty with Mexico that Mexican industrialist have signing a free trade treaty with the US." And the head of the Costa Rican Chamber of Commerce recently told the Mexico City daily La Journada that free trade negotiations with Mexico are "destroying the Central American common market."

Roberto Servitje of ALTEX, a baking conglomerate, recently told the Los Angeles Times: "Mexico has a special place in Latin America - we are an example to follow and we are always well received."

ALTEX, Mexico's biggest cupcake maker, has just bought out local baking companies in Chile, Guatemala, and Venezuela. Now, says Servitje, ALTEX has plans for El Salvador, Brazil, Argentina, and even Cuba.

Marketed throughout Latin America by the Mexican television monarch Televisa, the popularity of Mexican snack foods is booming far beyond national borders. Mexico's Pan Bimbo is a big player in the Venezuelan bread market but, ironically, it is competing with another Mexican staple - the tortilla.

The shadow of the new Colossus of the North falls nowhere so fully as upon its nearest neighbours in Central America, and it is there that resentment is thorniest. In Guatemala, Mexican ice cream chains Bing and Holanda are as ubiquitous as Baskin-Robbins outlets are in the US.

Similarly, in Honduras, when CEMEX, the world's fourth biggest cement maker, tried to pick up a newly-privatised state producer in the region's biggest privatisation deal ever at 76 million dollar nationalist elements in the military nixed the deal.

"They come in here and establish 100 per cent Mexican-owned businesses but if we want to do that in Mexico, there are plenty of restrictions," a leading Salvadoran toymaker recently complained to the Los Angeles Times.

Despite Mexico's negatives as the new Colossus of the North, Latin Americans continue to flock here to shop and study and to work. As much as the rich of Mexico often go for vacations at exclusive US resorts, the Latin American rich fly to Mexico's Cancun and Acapulco. And just as Mexico's poor migrate north to the US to find work as undocumented labourers, the poor of Central America stream into Mexico - a quarter of a million Guatemalans alone - to improve their economic standing.

"They see us as very big," concludes Ivan Crippa, a Mexico City investor in Central American manufacturing. "We are to them as the US was to Mexico 20 years ago."

John Ross is a freelance journalist based in San Francisco specialising upon in Latin America. He also contributes to El Financiero in Mexico.

Unstable yen-dollar rate boosts most Asia-Pacific units

HONG KONG, July 26 : Most Asia-Pacific currencies gained on the US dollar as investors rushed to alternative markets, away from movements in the yen-dollar rate affected by political uncertainty in Japan, reports AFP.

However, the Australian dollar fell with the plunge of the Greenback against the yen. The Taiwan dollar and South Korean won were also weaker, while the Indonesian rupiah remained unchanged from last week.

Japanese yen: The Japanese unit closed the week at 106.55 yen to the dollar, up 1.43 yen from a week earlier.

The strengthening was attributed to comment by US Deputy Treasury Secretary Robert Altman that the yen's gain could help trim Japan's huge trade surpluses.

Then yen opened the week a slight 0.08 yen higher at 107.60 yen on Monday, the morning after the LDP's debacle. It touched the week's low of 108.50 yen on Tuesday and stayed weak before rallying on Friday to touch the week's high of 106.18 yen at one point.

Australian dollar: The Australian dollar closed lower for the week ending Friday after taking a back seat in torrid trade on foreign exchange markets.

The local unit closed weaker at 67.62 US cent in quiet trade from 68.12 the previous week.

The Australian dollar was dragged down when the US dollar plunged against the Japanese currency late Thursday and was sold off early Friday on the back of a rising yen.

Hong Kong dollar: The Hong Kong dollar ended the week at 7.752-7.753 up slightly from 7.763-7.7573 previously. The effective exchange rate was 112.5 against 112.8 last week.

The Hong Kong unit is pegged at around 7.8 to the US dollar.

Indonesian rupiah : The rupiah remained at 2,093 to the US dollar, unchanged from a week ago. The currency traded at 2,094 at the start of trading Monday, but gained back lost ground throughout the week.

Malaysian ringgit: The ringgit ended higher against the US dollar to finish at 2.5663 this week from 2.5713 previously.

New Zealand dollar : The New Zealand unit closed here Friday worth 55.10 US cent, up on the previous Friday's close of 55.03 cent.

Dealers said the local unit appeared to be attracting investors seeking shelter from movements in other currencies.

Philippine peso: The peso recovered to 27.55 to the US dollar after falling to 27.65 a week ago.

The peso weakened further Wednesday to 27.869 peso to the dollar, but central bank intervention steadied it to be slightly stronger Friday close.

Singapore dollar: The Singapore dollar strengthened slightly to 1.6200 to the US dollar, compared to 1.6230 the previous week.

Trading to the Greenback was steady for most of the week at around 1.6190.

Dealers said the political uncertainty in Tokyo saw interest turn from the yen to the Greenback.

South Korean won: The won continued to weaken against the US dollar to close at 808.80 won on Friday, down 1.30 won from the previous week's close.

Taiwan dollar: The Taiwan currency slid to a two-year low of 26.925 to the US dollar on Friday, down 38.65 Taiwan cent from the previous week's finish of 26.5385.

Thai baht: The Bank of Thailand's exchange equalisation fund on Friday fixed the official mid rate at 25.26 baht to the US dollar, compared with last week's close of 25.33 baht.

The Greenback fell sharply against the baht following a US senior official's comments that he preferred a weaker dollar against the yen to offset the huge trade deficit with Japan, a dealer said.

Myanmar's jt venture with foreign oil companies in progress

YANGON, July 26: Myanmar's joint efforts with foreign oil companies in search of commercially feasible gas in its off-shore fields continue to produce good results, the official New Light of Myanmar newspaper reported yesterday, says AFP.

The latest well, drilled early this month some 80 miles (128 kilometres) off the coast in the Gulf of Martaban, is producing natural gas on a commercially feasible scale, it reported.

The paper did not mention the well's output.

Oil and natural gas exploration has been underway in the area since early this year in cooperation with the French firm Total and Unocal, of the United States, the paper said.

So far, four successful wells have been drilled in the field crude oil production for the financial year to March 31 has been set at 7.3 million barrels, while the gas production target is 51.1 billion cubic feet (1.53 billion cubic metres).

Myanmar which expects to produce 58 million gallons (220.4 million litres) of gasoline this year still rations its sale to private car owners.

While unlimited amounts are available on the black market, it costs ten times the official price.

Asia-Pacific bankers meet to discuss regional development

TOKYO, July 26: Asia-Pacific central bankers met here Friday to discuss regional economic developments as the Bank of Japan released a quarterly report showing uncertain prospects for a Japanese economic recovery, reports AFP.

The meeting was the sixth in a series of twice-yearly talks grouping monetary authorities from Australia, China, Japan, Hong Kong, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, South Korea and Thailand.

Most of the participants refused to discuss details of the informal talks which brought together central bank officials at various senior levels, many of whom were meeting for the first time.

But many also said they did not oppose increased openness at future talks hosted by the Bank of Japan, which has been notably coy about the growing contacts between regional central bankers in the past two and a half years.

The Bank of Japan views the 11 central banks as an Asia-Pacific version of the Group of Ten, which mainly comprises European central banks and meets regularly at the Bank for International Settlements in Basel, Switzerland.

The Japanese central bank meanwhile said in its quarterly economic outlook released Friday that the country's economic downtrend was about to end but with the yen's appreciation against the dollar remaining an uncertain factor.

Consumer spending is likely to recover in the second half of the year to next March after two years of decline, the report said, adding that capital investment might turn upward "in a very gradual manner" in the six months.

But the yen's upsurge against other currencies could curtail corporate earnings despite the lack of an immediate impact on economic activity.

Fuel rationing starts in Nepal

KATHMANDU, July 26: A ration system for petrol and diesel started operation today in Kathmandu valley to solve the fuel shortage caused by recent floods in Nepal, reports Xinhua.

The arrangement will be kept on until the situation improves in the transport sector following the obstacles created by the incessant rain over the past few days, according to a press release by the Nepal Oil Corporation.