

NAFTA violates int'l trade rules, accuses Tokyo

TOKYO, Aug 5: The North American Free Trade Agreement (NAFTA) violates international trade rules, a Japanese government research group concluded on Wednesday, reports Reuters.

The study group on economic and trade policy in the Asia-Pacific region said in an interim report that the US-Canada-Mexico agreement on Tariffs, local content, and safeguard measures will discriminate against non-members.

The report said that a hike in the required local content of cars to 62.5 per cent from the current 50 per cent runs against the General Agreement on Tariffs and Trade (GATT) rules, which bans unfair treatment of non-member nations by a trade bloc.

The report also said NAFTA's safeguard measures on compensation duties and against dumping are preferential to NAFTA nations and against GATT rules.

"It is important to conclude

the Uruguay Round of global trade talks, to solve these problems," it said.

The three NAFTA nations have agreed to eliminate quotas and tariffs on goods traded between them. Most will be eliminated immediately or phased out over a five- to 10-year period. But some, including on some agriculture products, will be phased out over a 15-year period.

This will be disadvantageous for other trading partners especially in textiles on which the United States maintains high tariffs, the report said.

However, Japan will be damaged less by the trade agreement than other Asian nations because American tariffs on most Japanese exports are low, it said.

Negotiators meet in Washington

Another report adds from Washington: US, Canadian and Mexican government ministers met on Wednesday afternoon to try to push forward a North American Free Trade Agreement (NAFTA).

The meeting, originally expected to take place in the morning, was set for the afternoon after Canadian Trade Minister Thomas Hockin said he had to attend a cabinet meeting in Ottawa during the morning.

His Mexican counterpart Jaime Serra Puche was consulting Mexican negotiators who were discussing labour, environment and trade issues with the American and Canadian teams.

Hockin, Serra Puche and US trade representative Mickey Kantor were planning to get together at the hotel where their teams have been meeting non-stop since last Thursday for a progress review and further talks.

The closed-door ministerial discussions are due to end on Thursday, but Mexican sources

US airlines cut fares up to 35 per cent

NEW YORK, Aug 5: US airlines sliced fares up to 35 per cent for travel through December 15 on Wednesday in a move to lure Americans to the skies after the peak summer travel season draws to a close, reports Reuters.

Delta Air Lines Inc, the third-largest US airline, initiated the sale and it was quickly matched by Continental Air Lines Inc.

Delta said the sale, offered on a sliding scale, will apply for travel between September 15 and December 15 through most of the United States including Alaska, Hawaii, San Juan in Puerto Rico and the US Virgin Islands. The sale also applies to Canada, Bermuda and the Bahamas, Delta said.

Passengers buying tickets now through August 17 will receive a 35 per cent discount. Tickets bought between August 18 and August 31 will include a 30 per cent discount and those purchased from September 1 through September 15 will be cut by 25 per cent, Delta said.

Indian industrialists demand cut in interest rates

BOMBAY, Aug 5: Indian industrialists are demanding a cut in interest rates now that the market-friendly government of Prime Minister PV Narasimha Rao has brought inflation under control, reports AFP.

Rao has notched up notable successes in the battle against rising prices since taking office two years ago, but domestic lending rates have been stuck at more than 16 per cent, among the highest in the world.

Inflation was running at 14 to 15 per cent and the minimum interest rate was as high as 20 per cent when Rao took power in June 1991 and launched a programme of market-opening economic reforms.

Inflation has since been reduced to a manageable six per cent and Indian corporate executives are demanding that interest rates be brought down too.

Finance Minister Manmohan Singh, the architect of the ambitious economic reform programme has gradually reduced lending rates but industrialists are demanding deeper cuts.

"When inflation was 20 per cent, interest rates were 14 per cent," said V K Vishwanathan, the financial controller of food giant Hindustan Lever Ltd.

"Now when inflation is six per cent, lending rates are 16 per cent meaning real interest rates are still very high," he said.

Vishwanathan said interest rates should be between four and five per cent above the inflation rate.

"In Britain, when inflation was 10 per cent in 1990-91, interest rates were around 14 per cent. Now inflation is down to three per cent, interest rates have been cut to seven per cent," he said.

"Interest rates have to be low if India is to be internationally competitive," said Ajit Sanghvi, the head of a leasing company.

"In Japan, lending rates are only four per cent, while in the United States they are between six and eight per cent," he said.

Sanghvi said the gap between the deposit and lending

Pakistan to get \$402m soft loan from Japan

ISLAMABAD, Aug 5: Japan agreed here Tuesday to a package of 402 million dollar in soft loans to cash-strapped Pakistan, the Japanese Embassy said, for use in five railway, communication and water projects, reports AFP.

The embassy said the loans would be extended on concessional terms with an interest rate of 2.6 per cent per annum, repayable over 30 years including a grace period of 10 years.

The agreement, signed by Japanese Ambassador Kunio Muraoka and RA Akhund, a top finance ministry official, is expected to help shore up the country's economy after last year's massive floods and a recent political crisis.

Pakistan is also seeking 2.3 billion dollar from the World Bank-sponsored aid consortium made up of Western donors and Japan in aid for the 1993-94 financial year, which began last month.

The 28th yen loan package from Japan was negotiated during the government of former Premier Nawaz Sharif, who quit last month along with President Ghulam Ishaq Khan in an army-mediated deal to end political turmoil.

The negotiations then could not be concluded because of Japanese concerns related to nuclear proliferation in South Asia, though officials here denied any linkage between the two issues.

Japan's Overseas Economic Cooperation Fund will finance the five projects.

The most important is the second phase of a cross-country, 1,200 kilometre (750-mile) highway being built to open an alternate route from Karachi in the south to the northwestern city of Peshawar.

Another important project is the rehabilitation or replacement of 240 outdated diesel electric locomotives operated by Pakistan railways.

The redundancy of nearly half of the railway's 564 diesel locomotives has seriously handicapped its operations:

Japan's new govt inherits \$ 67.5b current account surplus

TOKYO, Aug 5: The new government in Japan inherits a record current account surplus of 67.5 billion dollar in the six months to June — and the headaches that go with it, reports AFP.

Japan also enjoyed in the first six months its first ever invisible trade surplus over half-year period, the Finance Ministry said Wednesday.

The announcement came as Japan prepared for an end Thursday to 38 years of one-party rule and signals that the legacy left by the Liberal Democratic Party (LDP) will become one of the first big headaches for the new coalition government, given continued trade friction with the United States and Europe.

The current account, which measures trade in goods and services plus certain financial transfer such as gifts and grants, had a surplus of 19.8 per cent from the first half of

US economic activities continue to expand slowly, report says

WASHINGTON, Aug 5: Bank officials in the 12 US Federal Reserve districts report that economic activity continued to expand "slowly to moderately" in June and the first half of July, despite severe flooding in some areas of the nation, says a USIS press release.

"Flooding inflicted considerable damage in parts of the Chicago, St Louis, Kansas City and Minneapolis districts, but the effects of flooding were said to be highly concentrated and were not seen to threaten the overall economic expansion in any district," concluded a Federal Reserve report issued on Wednesday.

The latest in the Beige book series is based on information gathered prior to July 27. It finds that construction of single-family homes continued as a source of strength in many districts, that retail sales rose in most areas of the country, although rates of growth varied widely; that automobile sales increased in many areas; and that inflationary pressures were mixed.

Growth in manufacturing

Singapore's GDP may grow by 6.8 to 7.3 pc

SINGAPORE, Aug 5: Singapore's gross domestic product (GDP) is forecast to grow between 6.8 and 7.3 per cent this year, higher than the official forecast of six to seven per cent, a study sponsored by IBM Singapore showed, reports AFP.

The forecast took into account the growth in previous recovery phases, a more mature economy and the attendant labour and other resource constraints, according to the study by the National University of Singapore's Centre for Business Research and Development.

The growth forecasts of countries with which Singapore is closely linked through trade and investment were also taken into consideration.

The study predicted and increased of 2.3 per cent for the manufacturing sector, with the commercial sector growing 3.3 per cent, both rates being higher than those obtained in 1992.

The financial and business

Asian gold demand rises to 4 pc

SINGAPORE, Aug 5: Gold demand in Asia's developing markets is estimated to have risen four per cent to 160 tonnes in the second quarter from 154.1 tonnes in the corresponding 1992 period, the World Gold Council said, reports AFP.

The Council's Singapore branch, WGC (Far East) Pte. Ltd, said that second quarter demand in China, Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand was down 32.8 per cent from 238.3 tonnes in the first quarter.

China's demand rose 14 per cent to 57 tonnes from 50 tonnes in the year ago quarter, dominated by demand for jewellery which accounted for 55 tonnes, the statements said.

It added that an unfulfilled demand potential for gold bars and coins as a more direct investment medium existed because of a supply bottleneck.

Taiwan was the second biggest consumer, ranking 45

Jakarta unlikely to reduce coffee output

JAKARTA, Aug 5: Indonesia expressed support for the decision by Latin American coffee producers to cut their output to improve prices, but said its own production would not be reduced, ministers said yesterday, reports AFP.

"For the time being, Indonesia cannot reduce its (coffee) production but we support the proposal of Latin America," Trade Minister Budiarjo Yudono said at the Palace.

Yudono said that Indonesia was aware that the only way out of low world coffee prices was to cut supply and it agreed with the Latin American proposal to cut down world supply.

Agriculture Minister Syarifuddin Baharsyah told journalists at the palace earlier Wednesday that it was difficult for the government to control a crop which was mostly grown by individual farmers.

The conversion was expected to reduce the country's coffee planting area.

Euro central banks eyeing ERM limits

LONDON, Aug 5: Central banks, particularly those in northern Europe, are wistfully eyeing the old narrow Exchange Rate Mechanism (ERM) limits, currency analysts said, reports Reuters.

It is clear that Europe's political leaders were unhappy with the weekend decision effectively to float the system. Verbal and financial interventions since have indicated they are rightly uncomfortable with currency weakness.

The French, Belgians and the Danes all want to get their currencies so they are not far away from the old bands and if possible in the old bands," said Natwest's Robert Thomas.

Analysts said the recent attacks on the weaker ERM currencies reflected the dire economic need for interest rates to come down across Europe.

"This was, and is an interest rate crisis, not a currency crisis," said one.

"I thought the reason you

BCCI scandal: Altman's lawyers start closing arguments

NEW YORK, Aug 5: Robert Altman's lawyers, presenting closing arguments in the BCCI bank fraud trial Wednesday, alternately mocked prosecution witnesses and appealed to jurors to use common sense in weighing four months of evidence, reports AP.

Altman's defence team employed a mixture of humour and outrage to persuade jurors that Altman, a prominent Washington lawyer and former law partner of former Defence Secretary Clark Clifford, should never be indicted in the BCCI scandal.

"The prosecution's case has been just that — a theory in search of the facts," defence attorney Mitchell S Ettinger said.

Altman and Clifford were senior executives at First American and also lawyers for BCCI. Altman faces a maximum 16 years in prison on four felony criminal counts. Clifford, who is recovering from heart surgery, is not standing trial.

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Growing demand will increase oil price, says OPEC leader

JAKARTA, Aug 5: The secretary general of the Organisation of Petroleum Exporting Countries predicted Thursday that rising demand will bring higher oil prices by the fourth quarter of this year, reports AP.

Subroto, Indonesia's former minister for mines and energy, also said after a meeting with President Suharto that oil supply and demand will be balanced until the year 2,000.

He said an increase in demand will be counterbalanced by additional supply from Iraq.

"We don't know when Iraq will enter the world market, but it will," he said.

He said he expected no leapfrogging increase in the demand for oil as the world's economic growth will remain sluggish until 2,000.

He said an OPEC monitoring committee is expected to meet in Vienna on August 10 to prepare a report for OPEC ministers about the real production of the cartel's members.

Without mentioning names, Subroto said some OPEC members were not abiding by quota agreements.



Three suspects are (C) at press conference in Bangkok on Wednesday with a haul of almost 330 kilograms of high-grade heroin, the largest amount ever seized overland in Thailand. The heroin was US-bound with a street value of 33 million dollar in the United States. In background are anti-narcotics officials among them US Drug Enforcement Agency official Donald Sturn (2nd from right). —AFP photo