

OPEC facing worst crisis

LONDON, Aug 12: OPEC is facing its worst crisis since the oil price crash of 1986 and analysts on Wednesday said prices could fall to below 15 US dollar a barrel if OPEC fails to curb output at its September ministerial meeting, reports Reuters.

A study by Kleinwort Benson Research said: "OPEC is facing its worst crisis since 1986 and there is now a serious risk of miscalculation among its key members which could plunge the oil market into turmoil as the year end approaches."

The Kleinwort team, led by analyst Mehdi Varzi, said evidence so far pointed to rising supply and continued oil price weakness over the next few months.

With world oil demand barely rising and with non-OPEC supplies, except for those from the former Soviet Union, holding steady "everything depends on the level of OPEC supply."

The report estimated Organisation of Petroleum Exporting Countries production averaged 24.7 million barrels per day (BPD) in July, more than one million BPD above the OPEC ceiling of 23.852 million BPD it is expected to rise to 24.9 million BPD in August and 25.1 million BPD in September.

Iran was unlikely to cut its above quota production in the third quarter while Kuwaiti output will average 1.9 million BPD.

Saudi Arabia's supply to the market was roughly in line with its 8.0 million BPD quota but wellhead output rose in July.

The study estimated Saudi Arabia's July wellhead output, including the neutral zone shared with Kuwait, reached 8.5 million BPD in the last week of July.

The report said this suggested Saudi Arabia has started

building inventories and that output was likely to rise to 8.2 to 8.3 million BPD in September. This would take OPEC production to above 25 million BPD by the end of the third quarter.

"By building inventories, the Saudis will be in a position to threaten OPEC with a price war for market share and by implication an oil price collapse unless they agree on tighter output discipline in September," the study said.

Without an OPEC output cut in September, the price of world benchmark crude oil, Brent blend, might fall to below 15 dollar a barrel, the report said.

The price now of Brent blend is around 16.50 dollar a barrel, no better — allowing for inflation — than 10 dollar seen in the glut of 1988.

Kleinwort Benson said the forecast for world oil demand

for 1993 had been shaved for the second month running by 100,000 BPD to 67.2 million BPD, barely above the 67.1 million BPD figure for 1992.

Rising world inventories will cut the underlying demand for OPEC oil in the final quarter, when the industry draws on stocks. The study said it saw maximum demand for OPEC oil in the fourth quarter at no more than 24.5 million BPD.

This is lower than current production and far below last week's figures by the International Energy Agency (IEA) which showed the implied fourth quarter call on OPEC at 25.9 million BPD.

OPEC's quota compliance committee met in Vienna on Tuesday to review July production. The three-man team recommended in a communique that the current production ceiling be carried beyond the third quarter.



A trader looks pensive Wednesday at the Paris Bourse as the CAC 40 at the end of the morning reaches a record level of 2,155.31 points. — AFP photo

Peugeot to launch India's first "cashless" joint venture

NEW DELHI, Aug 12: Peugeot of France is set to launch India's first "cashless" joint venture with a leading car maker in which the partners plan to pool physical assets instead of cash, a daily reported Wednesday, says AFP.

The Indian Express said the proposed tie-up is set to be Premier Automobiles Ltd (PAL) and PSA Peugeot, Citroen would see the French automaker contribute 40 million dollar in equipment while PAL would pitch in an existing car plant.

Both partners have told the government that some of the used equipment to be supplied by Peugeot would be "almost as good as new but cost much less."

Conclusion of rice issue cannot wait: Hosokawa

TOKYO, Aug 12: Japanese Prime Minister Morihiro Hosokawa said Wednesday that the controversial question of opening the rice market need to be urgently debated, reports AFP.

"Conclusion (on the issue) of rice cannot wait," Hosokawa said Wednesday. "We need to study the policy of the coalition government. We need debate."

The seven parties supporting Hosokawa, who assumed the post last week, have voiced opposition to the tariffication of all non-tariff barriers, including protection given to Japanese rice growers, as called for in global trade talks.

Hosokawa supported the partial opening of the rice market before he took over from the ousted Liberal Democratic Party which provided heavy subsidies to Japanese farmers, its main support base, while blocking cheaper rice imports during its 38-year rule.

The Japanese ban on rice imports is one of the major obstacles to the successful end of the Uruguay round multilateral trade talks aimed at liberalising global trade.

Jakarta sets up body to deal with US over trade privileges

JAKARTA, Aug 12: Indonesia has set up a special committee to deal with the United States which threatened to revoke trade privileges unless workers conditions improved, press reports said here Thursday, according to AFP.

The Jakarta Post daily newspaper quoted coordinating minister for economic, industry and trade Hartarto as saying that the government had set up a special committee to settle the issue with the United States.

Hartarto said the committee was chaired by trade minister Billy Judono with manpower Minister Abdul Latief as the deputy.

He declined to reveal what the committee would discuss with the US government and how it would cope with the allegation that Indonesia had not adequately protected its workers right.

Concerned about Indonesian labour laws, Washington last month threatened to withdraw trading privileges under the Generalized System of Preferences (GSP) in February if the country failed to improve the protection of its workers.

Indonesia's exports to the United States last year totalled about three billion dollars, 642 million dollar of which enjoyed duty free privileges under the GSP scheme.

Iraq ends oil talks with Jordan

AMMAN, Aug 12: Iraqi Oil Minister Qasim Al Hitti on Wednesday concluded three days of talks with Jordanian officials on sale to finance essential purchases, reports AP.

Government sources said the minister, who arrived Monday, would leave overland for Baghdad early Thursday. The road from Jordan has been Iraq's only link with the outside world since international sanctions were imposed against Baghdad after the August 1979 invasion of Kuwait.

During his visit, Al Hitti met with Prime Minister Abdul Salam Majali and a number of other Cabinet officials. But details of the discussions were not disclosed.

Jordan has been trying to distance itself from Iraq and to rehabilitate itself in world politics after it had been ostracized by many nations because of its tilt toward Baghdad during the 1990-91 Gulf crisis.

US slashes projections for corn, soyabean harvests

WASHINGTON, Aug 12: The US government on Wednesday slashed projections for the corn and soyabean harvests after the devastating floods in the mid-west and drought in the south-east and said crop losses are expected to total 2.5 billion dollar, reports Reuters.

The agriculture department said corn is estimated to fall by 22 per cent from last year and soyabeans by 13 per cent.

The value of corn and soyabean production lost due to floods, excessive rain and drought is about 2.5 billion. Agriculture Secretary Mike Espy told a news conference following the release of the agriculture department's August crop report.

The agriculture department,

in its first comprehensive assessment of the flood damage, said farmers should produce 7.42 billion bushels of corn, down from 9.48 billion last year, and 1.90 billion of soyabeans, down from 2.2 billion dollar.

In a special survey centred in the stricken northern Mississippi-Missouri river basins, usually some of the nation's most productive land, the agriculture department said farmers will harvest 145.6 million acre (58.92 hectares), or 7.8 million acre (3.15 hectares) less than was expected in June.

Of that, the survey said, 2.8 million acre (1.13 hectare) were not planted because of the flooding, and five million acres (2.02 hectare) were lost after planting.

But Espy said the loss, while painful to affected farmers, will not have a major impact on agriculture as a whole.

The government's total corn estimate was lower than private grain analysts' average estimate of 7.53 billion bushels, but its soyabean estimate was higher than private analysts' average gauge of 1.863 billion dollar.

Private-sector analysts put the loss much higher, saying the floods destroyed dollar 4.1 billion worth of graincrops.

Joe Vecchimak, an economist for Doane, a St Louis-based company specialising in agricultural analysis, predicted there would be one billion dollar fewer bushels of corn than had been expected, and 300 fewer bushels of soyabeans.

China's trade gap jumps to \$ 4.6b

BEIJING, Aug 12: China's trade deficit jumped to 4.62 billion dollar in the first seven months of 1993 as imports soared in July despite government efforts to balance the figures, customs statistics showed Wednesday, reports AFP.

Trade volume for the first seven months stood at a record high of 94.18 billion dollar, Xinhua reported. Exports were up 4.7 per cent to 44.78 billion dollar compared with the same period last year while imports jumped 25.7 per cent to 49.4 billion dollar.

Imports soared 39.6 per cent in July from a year earlier to 8.77 billion dollar, while exports rose 6.5 per cent to 7.63 billion dollar, it said.

The latest figures made it increasingly unlikely China would succeed in meeting its target, set in January, of an annual deficit of about six billion dollar.

China cracks down on development zones

BEIJING, Aug 12: Most of the economic development zones established by local governments in China's booming coastal region have been closed as part of a national campaign to cool the economy, an official report said Thursday, says AP.

The zones, designed to attract investment with preferential policies, sprang up by the hundreds as local regions sought to cash in on senior leader Deng Xiaoping's call for an accelerated pace of modernization and economic reform.

But an alarmed central government in May ordered a review of the zones, arguing that many had no prospect of development and wasted valuable farm land. It said no local government beneath the provincial level could establish further zones.

The Xinhua News Agency

Lankan tea trade seeks approval for transaction in US dollar only

COLOMBO, Aug 12: Sri Lanka's influential tea trade is seeking government approval to permit only US dollar transactions at the weekly tea auctions here, trade officials said Thursday, reports AFP.

The Planters Association of Ceylon argues that direct foreign-exchange earnings by producers would help them to easily raise US dollar loans at less than nine per cent rather than borrow rupee at over 23 per cent.

Colombo's weekly tea sales are currently conducted in the local currency, which has been steadily falling against virtually all hard currencies.

"In the long term it is good for the industry to have all transactions in dollar. But initially, local buyers will have some difficulty in raising foreign exchange," a tea broker at the Colombo auction said.

But he said it should be possible for local buyers to get foreign exchange through banks here, as the government had lifted all forex restrictions.

US firms set to venture into Asia's booming economies

KUALA LUMPUR, Aug 12: Thousands of small and medium-sized US firms are set to venture into Asia's booming economies, a former US trade official said on Wednesday, reports Reuters.

"More than 100,000 American firms, whose activities are currently confined to the United States, are about to start a new trend by taking part in the Asian economy," said Earl Fry, a member of the New York-based council on foreign relations.

"They are going to come to Asia in a big way, because of the tremendous opportunities available," he told a Malaysian manufacturers forum.

US firms want to take advantage of the potential in Asia, which is expected to be the world's biggest economic power in less than 10 years, said Fry, who used to work in the US trade representative's office.

"There is also plenty of capital available in the region, which will allow these firms to enter into joint-ventures with local partners," said Fry.

He defined small and medium-sized firms as having a capitalisation of about one million dollar and employing less than 500 workers.

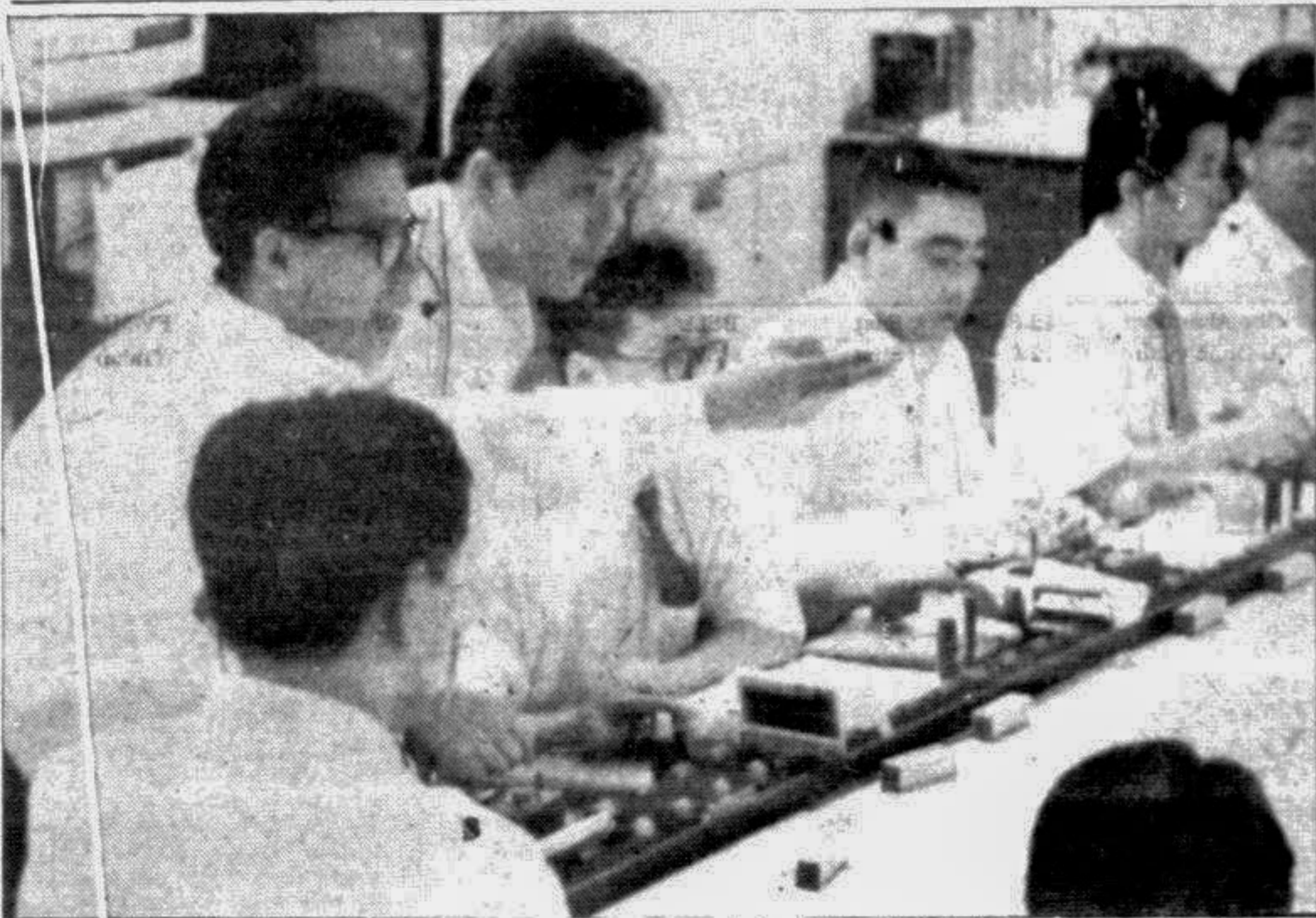
The fast expanding trade between the United States and Asia will be boosted further by the entry of these firms into the region, Fry said.

He said US merchandise exports to Asia amounted to 128 billion dollar in 1992 against imports of 214 billion. He did not give comparative figures.

"Asia is certainly an area of priority for the United States, as the region has been growing by an average seven per cent the last 20 years compared to a two and a half per cent growth in industrialised countries," he said.

Members of the Association of Southeast Asian Nations (ASEAN) in particular have significantly increased trade with the United States, Fry said.

Trade between the United States and ASEAN — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — rose to 60 billion in 1992 from 46.1 billion dollar in 1990, Fry said. He did not give figures for 1991.



Money dealers are busy in the morning session of the Tokyo's foreign exchange market on Thursday while money board flashes 103.35 yen. The dollar opened at a new low of 103.50 yen, down 0.27 yen from the previous record low finish of 103.77 yen. — AFP photo

'Arabs should expand oil firms'

ABU DHABI, Aug 12: Arab States should expand their oil industries and consumer nations should cut energy taxes to encourage such a trend, the Arab World oil body said in a report obtained here on Wednesday, reports AFP.

Arab producers should follow moves by Kuwait and Saudi Arabia to expand their vast oil refining and distribution networks abroad, the Organisation of Arab Petroleum Exporting Countries (OAPEC) said in its monthly bulletin.

The past years have seen intensified efforts in some member states to expand activities associated with oil and gas

industries and switch from merely marketing crude oil producing and selling petroleum products, according to the bulletin from the Cairo-based OAPEC.

There is a need for all members to develop such an industry, since the oil and gas industry is an integrated series, then development of end-consumer markets will positively affect the crude oil markets.

Apart from their domestic refineries, Kuwait and Saudi Arabia have set up a large distribution and refining network abroad and are planning further expansions to secure more export outlets from their massive

oil reserves. Besides Saudi Arabia and Kuwait, the OAPEC members are Algeria, Iraq, Bahrain, Syria, Egypt, Qatar and Libya.

"Integrating the oil industry and markets will allow producers to get closer to the problems facing marketing and interact with the needs of consumers, OAPEC said.

"This will provide an element of stability in the whole market and strengthen links between producers and consumers."

But it stressed consuming countries should cut energy taxes to enable producers to secure funds for expanding their oil industry.

BCCI fraud case

Trial of Altman goes to jury

NEW YORK, Aug 12: The BCCI fraud case against Attorney Robert Altman went to the jury although many of the key charges against him have already been dismissed by the trial judge, reports Reuters.

Altman is charged by New York state with helping the scandal-ridden Bank of Credit and Commerce International mislead government regulators by hiding its ownership of US banks, including First American Bankshares Inc, Washington's biggest bank holding company, which has branches in New York.

But New York state Supreme Court Judge John Bradley dismissed many of the most serious counts against Altman, including the accusation that he took bribes from BCCI and had falsified business records.

Bradley said the prosecution had failed to prove its case, raising doubts about the entire case against Altman.

Altman is married to actress Lynda Carter.

Altman was to be tried with Clark Clifford, the 86-year-old Democratic Party power broker who was chairman of First American, but Clifford was ruled too ill to go on trial.

BCCI's operations were seized by regulators in a worldwide swoop on July 5, 1991, amid accusations of widespread corruption.

The Luxembourg-based bank has been accused of dealings with western intelligence agencies, Middle East terrorists, drug traffickers and organised crime.

The complex trial has lasted four months. The case went to the jury after five days of closing arguments.



Robert Altman (R) and his wife, actress Lynda Carter (L), leave the New York State Supreme Court during a lunch break on Wednesday. — AFP photo

Taiwan to invest \$ 743m to promote hi-tech industries

TAIPEI, Aug 12: Taiwan is to allocate 20 billion Taiwan dollar (743 million US) to promote the development of high-tech industries in a bid to revitalise the island's economy, officials said Thursday, reports AFP.

In line with economy-reviving package, designed by the economic planning and development (CEPD) authority the cabinet development fund and the state-run Chiao Tung will set aside 20 billion dollar to invest in over 20 hi-tech firms, they said.

The firms with a minimum paid-up capital of one billion

dollar are involved in 10 strategic industries such as communications, semiconductor making, aviation and pollution control, they said.

The central bank of China had previously extended 60 billion dollar in loans to finance small and medium-sized enterprises capitalised below 60 million dollar.

Small and medium-sized firms — the backbone of this export-oriented island's economy — were eligible for the funds to expand investment and research and development.

Australia maintaining more business-like ties with China

SYDNEY: Australia's relations with China are now more business-like, dominated by a no-nonsense, realistic approach to trade and investment.

Gone is the "special relationship" that Australian leaders frequently tried to project — not always successfully, and at times with little conviction.

The vague and unspecified special relationship was often used in the past as a basic to encourage trade and business dealings between the two countries and to promote cultural and other exchanges.

Sometimes it was mentioned to reflect a geographical link to the Western Pacific, or a trading pattern of complementary interests, and at other times a reference to Australia's early diplomatic recognition of the People's Republic.

During his recent visit to China, Australian Prime Minister Paul Keating made no reference to any special relationship when he met Chinese leaders. Keating commented to accompanying journalists that he never believed in any special relationship — he preferred a solid, real, tangible business-like arrangement.

According to Prime Minister Keating, a special relationship with other countries is not only unwarranted but to some extent unhealthy.

This new pragmatic (but not quite "get tough") approach to relations with China is happening at a time when Australia's trade with

the People's Republic is losing some of its former great promise.

Although Australia's exports to China have more than doubled in the past decade, Australia's share of Chinese imports has declined by half.

Australian no longer enjoys a trade surplus with China. Australia's imports from China are now worth 50 per cent more than exports to the People's Republic. Chinese goods flowing into Australia have grown five fold in the past decade, and China's share of Australia's total imports has increased by over 300 per cent.

There is one potential deal which could be developed in the two countries: wool trade. Australia has plenty of wool which it is finding difficult to sell, and China has the potential to convert this wool into clothing for domestic consumption and export.

Prime Minister Keating told Beijing officials that "with Australian wool cheap and plentiful we have the opportunity to create together an entirely new worldwide market for manufactured wool products." He added that "it seems to me this industry is a natural one for China and Australia."

He called on the Beijing administration to remove trade barriers restricting imports of Australian wool, to unleash the considerable po-

tential for the development of ventures to take advantage of Australia's comparative advantage in wool production and primary processing and of China's expertise in the production of yarn, textiles and clothing.

But Australians have been warned to be wary of what some veteran China watchers describe as the "shameless greed" of parts of the Chinese bureaucracy.

Some 540 Australian companies are now active in various capacities in China. Not all of them are happy with the progress they are making nor with the treatment they are receiving from Chinese officials.

Many have found that doing business with China can be extremely hazardous, time-consuming and far from profitable.

China is also involved in more than 100 joint ventures in Australia, ranging from multi-million-dollar ventures to small manufacturing concerns, like the production of non-misting mirrors, veterinary products and beancurd products.

It is generally recognised that China will be the World's fourth largest trading nation by early next century. But according to Bruce Bennett, of Australia's department of Foreign Affairs and Trade, this growth will only be achieved if China accepts international trading disciplines.

In a report issued by the department, he

stated: "Unless China opens its market to world competition, its trading partners could use more-targeted sanctions, anti-dumping actions, import quotas, abolition of developing country duty concessions and, in extreme cases, removal of Most Favoured Nation trading status to protect their producers."

Bennett, who is the executive officer of the department's China and Mongolia section, stated that while Australia accepted the fact that China did not have a full market economy, it did expect China, as a major world trader, to adopt the same standards as other trading nations.

He added: "The standards we expect China to move towards include a single national trading policy, fully transparent trade regulations, no central allocation of foreign exchange to control imports, a fully convertible currency, the elimination of all non-tariff measures and movement towards a full market-price economy."

Economics Editor Ross Gittins of the Sydney Morning Herald, recently told Australians to prepare themselves "for a world in which China is a dominant economic and political power." He added: "It won't take long."

—Depthnews Asia