Euro firms shrug off latest US move to isolate Iran, Libya

LONDON, July 26 : European oil companies yesterday shrugged off the latest US attempt to isolate key OPEC producers Iran and Libya and insisted they would continue with investment plans despite the threat of punitive sanctions, reports Reuter.

"International law, European law and French law do not forbid us from operating there," said a spokesman for French oil company Total.

A bill designed to punish foreign companies that invest more than 40 million dollars in one year in Iran or Libya seemed to have cleared its final hurdle on Wednesday when a White House spokesman said President Clinton would sign it.

Austria's OMV, which is seeking to double its Libyan production to about 20,000 BPD, said it was sticking to plans to develop the Murzuk oilfield along with Total and Spain's Repsol.

Murzuk will swallow one billion dollars of investment, industry sources said.

Germany's Veba Oel, which has a 49 per cent stake in a joint venture with the state-owned National Oil Corporation and produces about 55,000 BPD in Libya, was equally unbowed.

"If it does become law, it will not affect our existing activities in Libya. With regard to future investments, Veba Oel will act in such a way that neither itself nor the Veba group is affected by any possible sanctions," the company said.

The Vienna-based Organisation of Petroleum Exporting Countries (OPEC) was also silent on the US move against the two producers which together account for about 20 per cent of the 11-member cartel's 25 million PBD output.

EU agrees to reduce tariff on US goods

WASHINGTON, July 26: The acting US trade representative announced Thursday the signing of two agreements with the European Union concerning EU enlargement and grain import policies, reports AFP.

The agreements — signed in Geneva July 22 — "open the door for increased US exports" to EU member countries, said Acting USTR Charlene Barshefsky.

The enlargement agreement cuts EU tariffs on hundreds of US exports by about four billion dollars over the next 10 years, and compensates the US for tariffs paid to Austria, Finland and Sweden after they joined the EU in 1995.

The enlargement agreement also commits the signatories to negotiating an agreement on worldwide elimination of tariffs of information technology products by the year 2000.

The agreement on grains resolves a dispute brought in July 1995 by the United States before the World Trade Organisation concerning access to EU markets by reducing import charges on US exports of rice.

Discussions on other grains have been scheduled.

Afghan's currency drops as forged money floods capital

KABUL, July 26: The value of Afghanistan's shaky currency dropped sharply this week as forged banknotes flooded the capital, shop owners and the state bank said Friday, reports AP.

The Afghani dropped from 15,000 against the US dollar to 18,000, Afghanistan Bank said.

The government has accused northern Afghanistan's Uzbek warlord Rashid Dostum of channelling forged 10,000 Afghani banknotes into Kabul.

"A foreign company has been printing the counterfeit money for Dostum," said Abdul Qadeer Fitrat, president of Afghanistan Bank. "We want to sue in the international court.

Prices for key consumer goods shot up 20 per cent in local markets, which are totally reliant on imports bought with foreign currency.

The price for a 90-kilogram (200-pound) sack of flour shot up from 240,000 Afghanis to 305,000, merchants said.

Exchange dealers said the forged currency was being used to buy up foreign money.

"Dostum's agents from the north have brought big amounts of the forgeries to Kabul markets to buy hard currency," said Ghulam Mohammed.

As news of the forged money spread through Kabul's money markets, some dealers feared the Afghani would further weaken.

"People holding the forgeries will panic and push to change their big bills for hard currency," Mohammed said.

Afghanistan's economy is in ruins as a result of four years of ongoing civil war and before that a decade-long insurgency against occupying Soviet forces.

WTO Goods Council meeting

US criticised for restriction on textile, clothing exports

GENEVA, July 26: The United States came under heavy fire from developing countries on Thursday over what they argued were restrictions on their textile and clothing exports which violated the spirit of the 1994 world trade treaty, reports Reuter.

The attack came at a meeting of the Goods Council of the World Trade Organisation, called to discuss a complaint from Pakistan and other emerging economies that accords under the treaty to free textile trade were being implemented too slowly.

Diplomats attending the closed-door meeting said the United States, the world's main market for clothing goods but itself a major exporter, was accused of abusing "transitional safeguard measures" allowed under the pact.

But envoys from India, Pakistan, Hong Kong and other Asian economies also complained that Washington was switching its interpretation of "rules of origin" and refusing to open up to factory key exports until the year 2005.

As part of the 1994 treaty, WTO member countries signed an Agreement on Textiles and Clothing (ATC) which was designed to bring the sector, heavily protected in many advanced economies, under new free trade rules over a period of 10 years.

Pakistan, in a paper presented to the WTO last month on behalf of 11 key textile producers in Asia, accused principal importers —mainly the United States, the European Union and Canada — of holding back in the integration process.

At Thursday's meeting, India said it had seen the ATC as "the harbinger of a rule based system rather than a power-based system" — a reference to emerging economy complaints that U.S economic muscle long controlled world trade trade.

India, Pakistan, Hong Kong and other countries said only Washington had used the ATC's permitted safeguard measures —temporary import restrictions introduced if a country sees a surge of imports it feels threatens domestic producers.

Hong Kong complained that such measures had been declared by the United States 25 times against a wide range of textile and clothing imports since the ATC went into effect with the birth of the WTO in January 1995.

Diplomats present said U.S officials — who themselves argue that Asian textile producers had themselves failed to remove or lower barriers to clothing imports — countered that no safeguard action had been taken this year.

The textile issue has aroused major passions among developing countries in the 122-member WTO, who saw promises of easier access to U.S and European markets as a trade off for opening their own markets in other sectors.

They took the issue to the goods council because they argue the main WTO body in the area, the secretive Textile Monitoring Board, was failing to tackle the mounting problems over the slow pace of liberalisaton.

But diplomats said some advanced economies, including Japan, had signalled they felt the issue should remain in the TMB and not brought to a body created mainly to deal with industrial goods and products.

Asian envoys say if there is no solution to the problem when discussion resumes in September, it could complicate the WTO's first ministerial meeting in Singapore in December — already facing north south rows on other issues.

Saudi Charge d'Affaires to Bangladesh Heni A Sindi called on State Minister for Jute and Textiles A K Faezul Haq at his office on Thursday. — PID photo

Japan's economic system shows signs of exhaustion

TOKYO, July 26: Japan is tired. The economic systems, structures and policies that drove the nation to the top of the world over the past 50 years have run their course and it is time to change, reports AFP.

So says the Economic Planning Agency (EPA) in its white paper released Friday, the government's annual prognosis on the economy since 1947.

"The economic system that has until now regulated the market economy in Japan now shows signs of exhaustion," the EPA said in its economic survey of Japan.

It concluded the collapse of the speculative "bubble economy" of the late 1980s, the yen's rise against the dollar, intensifying competition and an ageing population means Japan has to rethink its way of doing things.

"Fifty years after World War II, the Japanese economy finds itself in a period of historical structural adjustment," the EPA said, adding that uncertainties about the future direction of the economy contributed to the "strikingly exceptional low growth" of the past four years.

The report provides a clear basis for the arguments of EPA Director General Shuset Tanaka, appointed early this year by Prime Minister Ryutaro Hashimoto to head economic planning for Japan.

Tanaka believes in radical deregulation if the maturing economy is to boost its capacity for growth.

We has backers in Hashimoto and Finance Minister Wataru Kubo, and the EPA paper carries the weight of being the government's view of the economy. The question is whether the message can be sold to the electorate, industry and the bureaucrats.

But as Akira Sadahiro, a research department director at the EPA, said in briefing foreign press: "It is our job to explain the situation, not to make decisions about what is to be done."

Nonetheless, the white paper spells out the need for change.

"The low growth of the first half of the 1990s was caused by the Japanese economic structure and system's inability to cope with several successive internal and external shocks," it said the paper said that despite government attempts to stimulate the economy, such as the injections of public funds — in the order of 60 trillion yen (555 billion dollars) and 5.5 trillion yen tax cut, Japan was hit by three unexpected shocks. Those were the Kobe earthquake, the sharp rise of the yen, and the gas attack on the Tokyo subway.

Economic recovery has yet to be realised.

The EPA concluded: "true recovery of the economy should be achieved through strengthening the base of the Japanese economy by changing economic structures and systems."

The agency said Japan's three-level industrial structure-based on profitable, and unprofitable, manufacturing sectors, and the services sector, needed to be reviewed.

Boosting the unprofitable sector, rather than coddling it, might help further redress the current account surplus and reduce the difference between prices in Japan and overseas, as well as create a structure more suitable for the future.

"The keys are improvement in the competitive environment by deregulation, increase of imports in light of Japan's comparative advantage, and expansion into the technological frontier," it said. Importantly, the agency decided: "Thinking on economic policy must change."

"Industrial structural change and revision of economic policies will lead to sustainable growth with improvements in productivity and in the quality of life — the ultimate goal of the Japanese economy — that will equal those of the other advanced countries," the agency said.

Malaysia plans to set up third bourse

KUALA LUMPUR, July 26: Malaysia's Stock Exchange plans to set up a third board to provide more opportunities for companies to float their shares, a news report said today, according to AFP.

"The setting up of a third board is not meant to allow smaller firms to float their shares but mainly for a specific industry like companies involved in high technology," said the bourse's Executive Chairman Nik Mohamed Din Nik Yusoff.

The securities commission would announce the listing guidelines, Nik Mohamed Din was quoted as saying by the Berita Harian, a Malay language daily. He did not elaborate.

Under current regulations, a company must have a minimum paid-up capital of 40 million ringgit before it can seek listing on the Kuala Lumpur Stock Exchange's main board and 20 million ringgit for the second board.

There are 387 companies on the main board with a total market capitalisation of 648.83 billion ringgit while on the second board, there are 186 firms capitalised at 42.47 billion ringgit.

Major infrastructure firms such as Independent Power producers can also be floated without a track record of profits provided they have a "healthy and predictable" income stream for a contractual period of at least 18 years.

Economy recovering with weak pace: Hashimoto

TOKYO, July 26: Japanese Prime Minister Ryutaru Hashimoto said yesterday the economy was recovering on the back of stronger private-sector demand but warned that the pace of the recovery remained weak, says AFP.

The economy has been helped by government stimulus measures, Hashimoto told a conference of the Federation of Banker Associations of Japan.

But he added that the severity of labour market conditions indicated continued weakness in the speed of economic improvement.

In a bid to achieve growth over the medium to long term, the government will implement measures to restore the soundness of the financial system which requires greater transparency the prime minister said.

Hashimoto described finance as the "vein for all economic activity."

Thai PM takes money from rogue banker?

BANGKOK, July 26: Did Thailand's prime minister accept campaign contributions from a rogue banker wanted by the Thai police?

A parliamentary banking committee will investigate that allegation in response to a motion filed by a member of the opposition Chat Pattana (National Development) party, Radio Thailand reported Friday, says AP.

"I'm afraid the scandal will damage the country's image," said Jung Pongsathorn, the Chat Pattana lawmaker.

But damaging Prime Minister Banharn Silpa-archa's image is precisely what the opposition is hoping to achieve by linking Banharn to a crew of bankers and politicians who allegedly looted, the Bangkok Bank of Commerce of nearly three billion dollars.

Any evidence connecting Banharn to the banking debacle would be used in an attempt to topple his coalition government during a censure debate the opposition is planning to launch in September.

The ensuing scandal has already forced Banharn to reshuffle tainted politicians out of his cabinet, the governor of the Bank of Thailand to resign and police to arrest several Bangkok Bank of Commerce executives.

One executive, Rakesh Saxena, fled to Canada before police could apprehend him. The Thai government is now seeking his extradition.

The Indian-born Saxena said in Vancouver earlier this week that he had made significant contributions to the campaigns of Banharn and other members of his Chat Thai (Thai Nation) party during the 1995 election.

German consortium, Egypt to sign $80m contract

CAIRO, July 26: An 80-million dollar contract is to be signed on Saturday between Egypt and a German consortium to build the world's longest rail bridge on the Suez to replace on destroyed during the 1967 Israeli Arab War, reports AFP.

The 600-meter (1,980-foot) long movable bridge, which will carry trains and vehicles is to link the Egyptian rail network with a line to be built in the Sinai, said Mahmud Marir, director of Egyptian railways.

He added that the project will be the longest rail bridge in the world," but will not impede maritime traffic on the man made canal which links the Mediterranean the Red Sea, according to the government daily Al-Gumhuriya.

Neither, the Egyptian transport ministry or the Germany embassy would reveal the names of the German companies involved in the project.

Asian stock markets close mixed

HONG KONG, July 26: Asian stock markets ended the week mixed Friday, with share prices in Tokyo rising for the second consecutive session, reports AP.

Tokyo's Nikkei Stock Average gained 241.06 points, or 1.15 per cent, closing the week at 21,124.90 points. On Thursday, the index had gained 252.81 points, or 1.213 per cent.

The Tokyo Stock Price Index of all issues listed on the first section was up 12.80 points, or 0.80 per cent, to 1,603.24 points. The TOPIX rose 8.73 points, or 0.55 per cent, the day before.

Japanese share prices were boosted by a 67.32 point advance in the Dow Jones industrial average Thursday although some players retreated to the sidelines ahead of the weekend and the end of the month, traders said.

Buying by domestic institutional investors and newly established investment trust funds led the way, while foreign selling pressure, which had sent the Nikkei plunging in recent sessions, receded, traders said.

Meanwhile, the dollar was changing hands at 108.44 yen at late afternoon, up 0.36 yen from late Thursday and also above its late New York level of 108.31 yen overnight.

In Hong Kong, share prices closed mixed for the second straight day.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, fell 1.40 points, or 0.01 per cent, closing at 10,705.57. On Thursday, the index had gained 7.00 points.

Brokers said share prices rose in the morning in reaction to an overnight rally on Wall Street, but profit taking later eroded the early gains.

They said trading remained sluggish ahead of the weekend holiday.

TAIPIE: Share prices closed higher, boosted by overnight gains on Wall Street. The market's Weighted Stock Price Index rose 19.63 points to 6,053.70 after Thursday's 61 point plunge.

WELLINGTON: New Zealand share prices closed higher as interest from overseas investors drove leading issues up the NZSE 40 Capital Index rose 21.36 points to 2,122.20.

MANILA: Philippine share prices closed lower on profit taking. The Philippine Stock Exchange index [PSE Index] of 41 selected issues fell 22.65 points to 3,064.60.

SYDNEY: The Australian Stock market closed higher in hectic trading, lifted by renewed optimism after a strong rally on Wall Street overnight. The all Ordinaries Index rose 27.9 points to 2,143.0.

SEOUL: Share prices closed lower in moderate trading. The Korea Composite Stock Price Index fell 6.26 points to 814.03.

SINGAPORE: Share prices closed mixed in moderate trading. The 30-share Straits Times Industrials (STI) Index rose 2.61 points to 2,129.99.

KUALA LUMPUR: Malaysian share prices closed lower for the sixth consecutive session. The Composite Index fell 8.74 points to 1,084.08.

BANGKOK: Thai prices closed lower on worries about the slowdown in the local economy. The Stock Exchange of Thailand (SET) Index fell 8.73 points to 1,110.23.

JAKARTA: The Stock Exchange's Composite Index fell 7.138 points, closing at 561.309.

Niger's new govt determined to go ahead with economic reforms

NIAMEY, July 26 : Political instability in Niger has held up moves to stabilise the economy but the new government of General Ibrahim Bare Mainassara is determined reform must go ahead, reports Reuter.

Mainassara, who overthrew the previous civilian administration in January, has concluded negotiations on an enhanced structural adjustment accord with the International Monetary Fund, signed in May.

Gold reserves in western Niger show promise, and Finance Minister Almoustapha Soumaila said the heavily-indebted government had won a significant victory in persuading public sector workers to accept a 30 per cent wage cut.

"I don't think people are giving enough significance to this realisation of the problem by the workforce," said Soumaila, who kept his post from the previous civilian government of President Mahamane Ousmane.

The price of Niger's main export, uranium, has tumbled on world markets and Mahamane's government was frequently unable to pay wages. Strikes became a weekly event.

In 1994, budget receipts of 40 billion CFA francs (80 million US dollars) fell short of the 44 billion CFA wage bill.

As well as signing with the IMF, Mainassara's government has concluded a privatisation law and introduced new labour and business codes. Foreign mining firms praise new Mines Minister Mai Manga Boukar, a geologist by training.

"In purely economic terms the developments are very positive and we are waiting to see what comes next," said World Bank programmes Director Pierre Nignon.

In democratic terms, Mainassara's record is less positive.

Under pressure from donors to hold presidential elections, he dissolved the electoral commission in mid-poll on July 8 and placed his opponents under house arrest.

World Bank economist Gnandou Ide said it was too early to say what effect the events of the past weeks would have on the accord. "It will be tough," he said. "I hope they make the poverty and need of the people of Niger their primary concern."

Soumaila said the IMF had emphasised the need for a restoration of democratic institutions.

"In September there will be parliamentary elections and with that the process of a return to normal constitutional existence will be completed in Niger," he said.

The national conference that prepared Niger's transition to a multi-party system opted to do without the tough programmes of the IMF and World Bank and reform was halted from 1990 to 1994.

Niger was hard-hit by a 50 per cent devaluation of the CFA franc in January 1994. Economists say Mahamane's governing coalition was too fragile to push through effective accompanying measures to soften the blow.

Devaluation improved uranium receipts in CFA terms, and good rains in 1994 helped GDP to grow by three per cent at constant prices, compared with 1.3 per cent in 1993 and minus 6.5 per cent in 1992.

Official figures put GDP growth at three per cent for 1995 and 3.6 per cent for 1996.

Boeing's profit rises in 2nd quarter

SEATTLE, July 26: Boeing Co. on Thursday reported sharply stronger results from the second-quarter, helped by tax benefits and contract-dispute settlements that brought in 176 million dollars, says AP.

Boeing earned 468 million dollars or 1.35 dollars per share. A year ago, the company lost 231 million dollars or 68 cents per share, after setting aside nearly 500 million dollars to cover the cost of early retirement incentives.

Without last year's charge for the early retirement plan, the company's earnings still would have risen 84 million dollars. Sales were 6.3 billion dollars, up 5.6 billion dollars

Boeing's stock was higher Thursday on the New York Stock Exchange, rising 2.25 dollars to close at 88.12 dollars.

Coca-Cola chairman named Chief Executive of the Year

The Chairman of the Coca-Cola Company, Roberto Goizueta, has been named Chief Executive of the Year in leading US magazine Chief Executive which cited his record in creating share owner value and his leadership of the soft drink industry as key contributions, says a press release.

The award, which is determined in voting by some of the toughest judges of all — CEO's of US companies — recognies Goizueta's achievements in raising share owner value, creating a total return of 2,563 per cent sine he became CEO of the company in 1981.

Nabisco Biscuit president James Postill said "he has led Coca-Cola to become the first truly global company residing in America."

Today, Coca-Cola derives two-thirds of its volume and 82 per cent of its operating income from outside US.

Speaking of the company's future growth Goizueta said, "humans need an average of 64 ounces of liquid a day to live, and we only supply fewer than 2 ounces worldwide. That means we have an infinite growth opportunity.

The honour comes just months after Fortune magazine named the Coca-Cola Company as America's most admired company. The 115 billion US dollars company's worldwide soft drink market share is 47 per cent, outselling its nearest competitor internationally by 3.2 to 1.

The Coca-Cola Company is the world's largest beverage company and is the leading producer and marketer of soft drinks.

Many Syrians more interested in PCs, pasta than politics

Barbara Nimri Aziz writes from Damascus

Syria is not famous for spaghetti, but a pasta company is one of the success stories in the country's mini boom.

The Fiorella factory recently installed computer-run pasta-making machines from Italy which can turn out 24 tons of assorted pasta a day. Fiorella caters to an emerging middle-class market in Syria with a taste for European cuisine.

The company's main shareholder is the Akkad family, who are also the major investor in soda drink and transport companies.

The technology market is booming too. "We are ready to expand faster and faster," says an IBM representative. "We don't even need to market PCs (personal computers). We know we can sell 12,000 new units a year. What we need are looser regulations so we can get these new products to our customers faster."

Syria's current economic resurgence compares with its sluggish development when it was locked into trade agreements with the Eastern block up to a few years ago.

Moreover, "this is all happening with little outside assistance," notes Syrian economist Nabil Sukkar.

"Its in part from Syrian with money from their Gulf employment and others who did well in Europe. They are the source of new capital investments here. They and other Syrians with assets outside the country were in a position to take advantage of new laws that encourage capital investment."

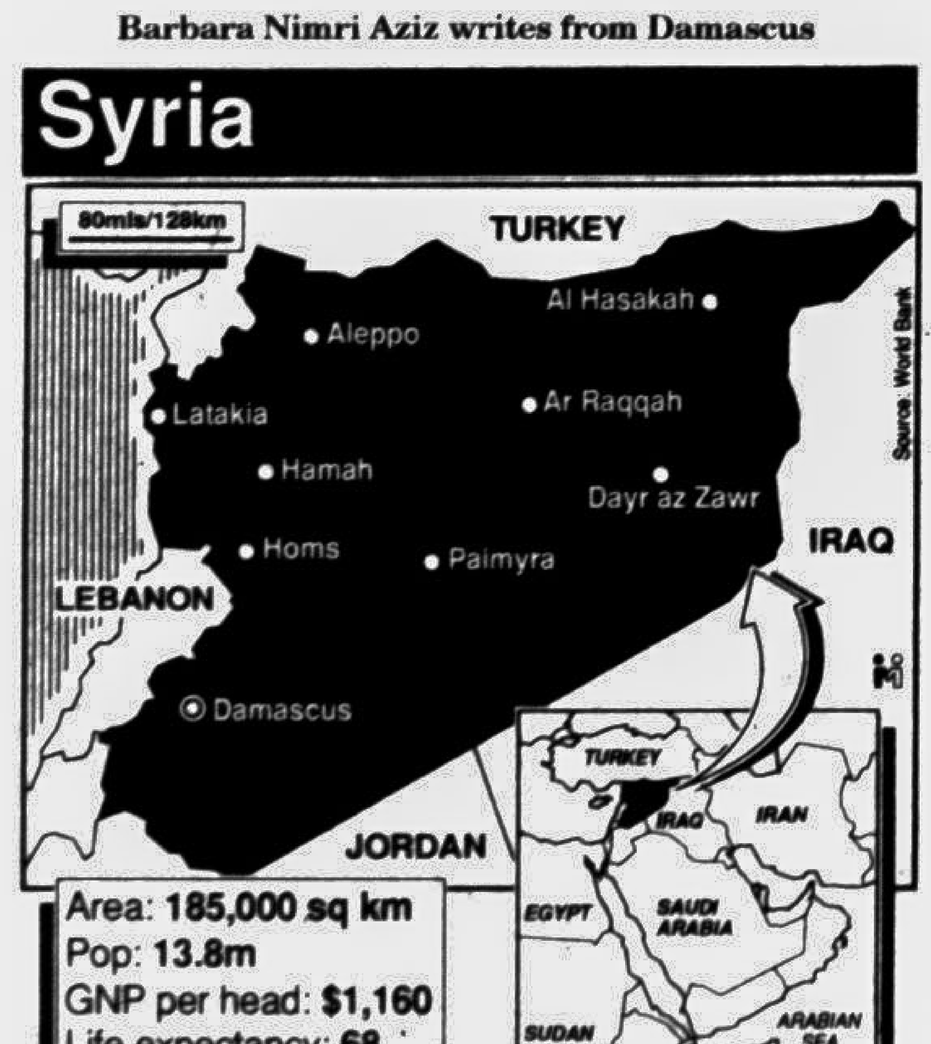
Ambitious business oriented people have waited decades for an opening. "Damascus and Aleppo were crossroads for trade in this region for many centuries. Historically, we are a business people," points out Faisel Al Ajami, an art director with a big company.

Government officials say the economy has been growing at about five per cent a year for five years.

Transport, tourism, light industry and textiles are expanding. New foreign cars are easily obtainable, whereas only five years ago they were impossible to find.

Property values, especially in the main cities, have skyrocketed, offering speculators immense profits. Construction is growing along with rising land prices.

Many small industries have sprung up, partly in response to a 1990 investment law that offers generous tax breaks to investors and some tax free



imports.

One thriving example, is Randak, a synthetic fibre company that processes raw material imported from Germany and sells its products to clothing and upholstery factories.

Manager Bashar Dakkak says the initial eight million dollar investment is bringing a good return after three years of operation. The plant cannot keep up with market demand.

"Our factory is operating seven days a week, night and day," says Dakkak.

RanDak has not yet exploited the domestic market to its limit but, says its manager, is "already selling 50 per cent of our produce abroad, to Saudi Arabia, Jordan and France. Once we are licensed as meeting the international quality standard, we will have access to even wider markets."

Syrians bringing their money home are not the only source of capital, notes Nabil Sukkar. Oil is also a factor.

"When our customary source of cash assistance from the Gulf states began to fall off 10 years ago, we discovered oil," he says.

Much of the money from oil has been siphoned off and parcelled out to highly-placed individuals of families. Large sums have probably been deposited in foreign bank accounts during the past decade, when growth at home was no limited.

Through is new investment law, the government has finally found a way to get that money working inside Syria.

Major infrastructure development has also been undertaken, financed by earlier loans from Saudi Arabia and Kuwait.

Within five years, the entire telecommunications system has been modernised. Inter-city transport links have been improved. A large water purification and channeling system for Damascus is nearing completion.

These projects have sped ahead with little outside aid. "We have good land and water and abundant food. We have cotton and oil," a businessman points out proudly. "We are not like the Palestinians or Jordanians or others who rely heavily on foreign imports." — **Gemini News**

Barbara Nimri Aziz is a US freelance journalist and radio producer.