

Howard, Shipley to seek WTO action

Australia, NZ blast US lamb import move

WELLINGTON, July 8: Australia and New Zealand leaders today slammed the United States for imposing quotas and tariffs on lamb imports, saying the move smacked of double standards in international free trade, reports Reuters.

Australian Prime Minister John Howard, due to travel to Washington on Friday, said his government was appalled at the "hypocritical" decision and wanted to help Australian farmers hit by the move.

"There is no possible justification for this," Howard told reporters in Tokyo.

"It makes no sense in terms of world trade, it is devoid of any kind of justice as far as fair trading behaviour in concerned and it will increase the price to the Australian consumer."

President Bill Clinton said the three-year package of import relief and \$100 million in domestic assistance for US sheep farmers was meant to improve their competitive position.

Australia and New Zealand, two of the world's most active traders of bulk meat products, have made big inroads into the US market in recent years and have about half the trade each.

The US sheep industry estimates lamb imports from the pair jumped by nearly 50 per cent from 1993 to 1997, and they last year sold about \$140 million worth into the United States.

Fed up with their market share at home being diluted by the cheaper imports, US ranchers sought action through Washington's International Trade Commission (ITC).

The ITC in turn voted 6-0 that imports threatened to damage the US lamb industry and passed its recommendation to Clinton.

The resulting policy package, due to start on July 22, will in its first year limit imports to the level bought in 1998, 31,851 tonnes, and subject them to a nine per cent tariff.

Over the following two years

the quota allowed in will climb by 857 tonnes per year, while the tariff level will drop first to six per cent, then to three.

Australian lamb producers have developed this market without any support... Their only mistake is to have developed a new market, produce high quality product and sell it at a competitive price," Howard said in a statement.

His government will pay for up to two years the equivalent of half of a levy applied to the sale of all lambs in Australia, to lessen the impact of the US move.

New Zealand Prime Minister Jenny Shipley said New Zealand intended to take the matter to the World Trade Organisation (WTO), despite US assertions the programme was acceptable under WTO rules allowing safeguarding of local industries.

"US lamb growers, whose shortsighted protectionism led to calls for safeguards, will gain nothing from an outcome that

stifles both market growth and consumer choice," she said.

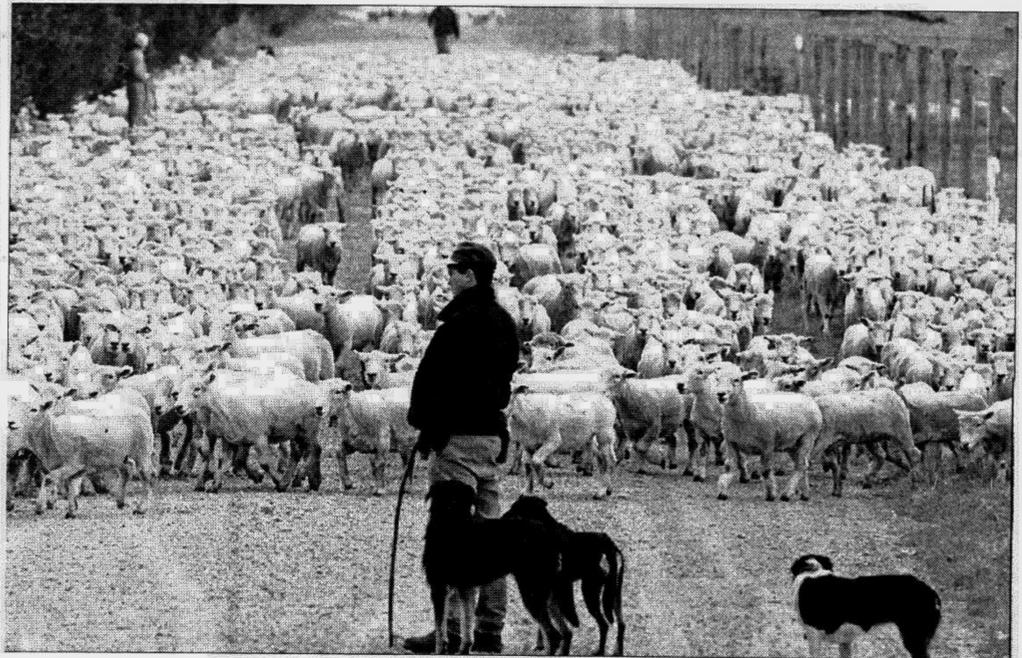
Neil Taylor, chief executive of the New Zealand Meat Board, told Reuters he expected the moves to cost the industry about NZ \$25 million (\$13 million) over the three years.

New Zealand Trade Minister Lockwood Smith called the US programme "the triumph of politics over reason."

"That's sad and disappointing from a country that should be showing leadership in global trade developments," he said.

Meanwhile, a report from Tokyo says: Australian Prime Minister John Howard said today he was "appalled" by punitive new US lamb tariffs and would fight the measures through the World Trade Organisation.

Howard said the sanctions were taken for US domestic political reasons despite his personal warning to US President Bill Clinton, who he is to meet Monday.



An undated file photo shows New Zealand farmer Andy Macglow (C) herding his flock of sheep down a road. Australia and New Zealand reacted with fury Thursday to a US decision to impose tariffs on lamb imports. The two countries plan to take their case to the World Trade Organisation. —AFP photo

Cabinet adopts blueprint for a new Japan

TOKYO, July 8: It took record unemployment, a spiraling budget deficit and nine years of economic doldrums, but Japan's leaders say they have finally gotten the message: The old formula doesn't work anymore, reports AP.

On Thursday, the Cabinet adopted new policy guidelines that the country's top economic officials said will do nothing less than bring about a revolution in how Japan works.

Out are the restraints on competition and government guidance of business that have been the hallmark of Japan's producer-oriented brand of capitalism.

In are a list of new goals that sound as if taken straight from a US business school textbook: boarder choice for consumers, better returns for investors and improved efficiency through open markets.

In announcing the new guidelines at a press conference Thursday, Economic Planning Agency chief Taichi Sakaiya said they reflected a new consensus among not only politicians but even normally intransigent bureaucrats that things must change.

Even measures seen unfeasible three years ago, two years ago, last year are being implemented," said Sakaiya. "Once Japan's economy comes out of the current downturn, it will be a different economy than before."

The biggest change is the role of the government, Sakaiya said. Instead of a government active in the economy by picking winners and losers and codding endangered industries, it will now leave most of that to markets and private enterprise.

IMF approves \$4.1b loan for Mexico

WASHINGTON, July 8: The International Monetary Fund approved a \$4.1 billion loan for big borrower Mexico yesterday, but said the country might not need the cash if the international environment improved, says Reuters.

An IMF statement said recent reforms had made the Mexican economy stronger and more resilient and fiscal policies were "appropriately tight." But banks were fragile and the overall economy was still vulnerable.

"Directors cautioned that the Mexican economy remains vulnerable to shocks," IMF First Deputy Managing Director Stanley Fischer said. "The continued fragility of the banking system was a major weakness and directors urged the authorities... to accelerate the pace of banking reform."

The loan will help Mexico repay IMF credits extended after its currency crashed in 1994. An IMF statement said the money would be available in seven instalments, including an immediate payment of \$687 million.

The previous loan, a massive \$18 billion credit, was extended in January 1995 as part of a \$48 billion international rescue package, and Mexico must repay some \$6 billion this year and next.

The Mexican finance ministry said the new IMF money would enable Mexico to refinance the debt falling due in 1999 and 2000. But Fischer appeared to question whether Mexico would actually need all the cash.

The IMF said the economic programme underpinning the new loan aimed to "set the economy on a sustainable growth path," boosting job creation and lowering poverty and inflation.

The fund predicted 3 per cent growth in 1999, rising to 5 per cent in 2000. It said inflation should slow to 10 per cent from 13 per cent this year. Mexican gross domestic product rose 4.8 per cent last year, while inflation came in at a steep 18.6 per cent.

Envoys to WTO draft plan for new talks on freer trade

GENEVA, July 8: Envoys from around the globe finalised plans yesterday for shaping an agenda for a new round of negotiations on freer world trade expected to be launched at a key conference of ministers late this year, reports Reuters.

Trade sources said ambassadors to the World Trade Organisation (WTO) were close to approving a work programme that would clear the ground for a final push from mid-September to agree on what the "Millennium Round" would cover.

But they said there was still no clear sign that one problem bedevilling the WTO — the squabble over appointing a new Director-General to replace Renato Ruggiero who stepped down over two months ago — was much closer to resolution.

Two candidates — former New Zealand Prime Minister Mike Moore and Thai Deputy Prime Minister Supachai Panitchpakdi — and their supporters are struggling to win the clear consensus among WTO states that would give one of them the job.

That issue has been on hold in Geneva, headquarters of the trade body, for the past two weeks, although fresh suggestions have emerged elsewhere for a way out of the impasse.

Some diplomats say passions in the three-month row — which many had feared would paralyse the WTO and put the ministerial conference in Seattle from November 30 to December 3 at risk — had begun to cool.

The preparations for the Seattle meeting are progressing quite well," David Hartridge, a long-time economist in the WTO and its predecessor the GATT who is filling the role of interim chief, told a Geneva gathering this week.

"So far, the absence of a director-general has not affected them because we are not at the stage where an input at his level is essential.

But Hartridge, a Briton, recognised that there were major questions to be resolved about the new round — especially on whether contentious issues like competition and in-

vestment policies and trade and environment should be covered.

Most countries in the currently 134-member WTO want a "Millennium Round" to be considerably shorter than the 1986-93 Uruguay Round which converted the GATT to the WTO and lowered barriers to trade in goods and services.

But some envoys fear that if it is packed with new issues — especially investment and environment — where there are radical differences between developed and developing countries, it could also turn into a marathon.

Under commitments taken up at the end of the Uruguay Round, WTO members have to start talking about further liberalisation of agricultural trade and trade in services from next year.

The United States, the European Union, Japan and Canada — the world's top trade powers — want to include new talks on reducing tariffs on industrial goods, already slashed by an average of 38 per cent globally in the Uruguay Round.

Japanese markets to miss Mr Yen's 'big mouth'

TOKYO, July 8: Japan's "Mr Yen," the powerful finance ministry bureaucrat Eisuke Sakakibara, retired today with market traders saying they will miss his "big mouth," reports AFP.

Sakakibara, 58, quit the influential post of vice finance minister for international affairs, and was replaced by international finance bureau chief Haruhiko Kuroda, a finance ministry official said.

Today the vice finance minister resigned and the post was taken over by Mr Kuroda, the finance ministry official said.

Sakakibara, known as "Mr Yen" for his influence on the markets, had already said he would be retiring under the latest bureaucratic reshuffle. He is expected to be appointed an advisor to the ministry.

The foreign exchange dealers who dubbed him "Mr Yen" said he would be hard to replace.

Sakakibara "kept giving signals to the market and created a style that had never existed before," said Yukihiko

Hashimoto, a foreign exchange dealer at Sanwa Bank.

There will be no change in finance ministry policy with his successor Kuroda, the trader forecast.

But while dealers suspected Kuroda had always been the brains behind Sakakibara, they had yet to discover whether he could fill Sakakibara's verbal void.

"The brain of Sakakibara is said to have been Kuroda's so in a way Sakakibara was the big mouth which transmitted government views on monetary policy to the world," Hashimoto said.

"There is a possibility Kuroda may not have the mouth, even if he has the arms, legs and the brains," he added.

"Though the stance will not change, we will be asked to sniff around voluntarily to make up for the big, lost mouth."

The bureaucrat known as "Mr Yen" had managed to coordinate policy with the market rather than leading it, added Hashimoto. "And he main-

tained a comfortable distance between us."

"He was extremely good in terms of cost-performance. He knew exactly how to make good use of the media."

Sakakibara, educated at Tokyo University, began his finance ministry career in 1965 with a four-year break as an international monetary fund economist from 1971.

Noriyoshi Tsunoda, chief dealer at Fuji Bank, said Sakakibara "was a rare talented man, who could talk clearly with his own words whether in English or Japanese."

Looking back, Tsunoda said he most remembered April 1995 when the yen shot up to 80 yen against the dollar. Sakakibara was charged with talking it down, and the currency promptly plunged 60 per cent in a year and a half.

"I remember Sakakibara most vividly as the person who... breathakingly pulled down the yen so far we could hardly believe what we were seeing," Tsunoda said.

First Japanese bank opens branch in Russia

MOSCOW, July 8: The Michinoku Bank Ltd, based in northern Japan, has become the first Japanese bank to open a branch in Moscow, ITAR-Tass reported yesterday, says AFP.

The bank plans to provide all types of banking services to clients, including to ordinary Russian citizens, the director of the bank's Moscow branch was quoted as saying.

In the next five to 10 years, Michinoku intends to offer mortgages and consumer loans but first it will find its feet in the market and study the needs of Russian clients, he said.

Today, Russians seldom have recourse to loans to buy property or consumer goods.

Russian law prohibits newly established banks from offering loans to private citizens, for the first two years, ITAR-Tass recalled.

Explaining is reasons for coming to Russia, Michinoku said "it is precisely in crisis conditions... when nobody is rushing into Russia, that we have an opportunity to establish ourselves firmly in this market."

Michinoku has more than 100 branches throughout Japan and employs 1,663 people.

It is a medium-size regional bank based in Aomori prefecture, in the northernmost part of Japan's mainland. The bank is the second largest in foreign exchange operations in Tohoku area (northern Japan).

In 1995, the bank opened a bureau in Russia's southern Sakhalin Islands and has trained Russian staff by sending them to Japan on training courses.

Thailand to allow furniture import from Myanmar

BANGKOK, July 8: Thailand has agreed to allow the import of wooden furniture from Myanmar to continue despite concern that such products might have been made of Thai wood, says Xinhua.

Heukham Tomornask, governor of the northern Tak province, was quoted today by Bangkok Post as saying that the import would continue provided it was made in line with all the regulations agreed last year.

Thai parties concerned met last year and decided to allow in Myanmar furniture imports on condition that they have permission from provincial customs authorities, and that importers pay taxes at the port of entry and are able to produce documents to verify the origins of their imported goods.

Singapore bourse submits plan for frozen Malaysian shares

SINGAPORE, July 8: The Stock Exchange of Singapore has sent its Malaysian counterpart a formal proposal for releasing frozen Malaysian shares owned by Singapore investors, the exchange said Thursday, reports AP.

The proposal calls for the staggered transfer of the controversial shares from Singapore's Central Depository to Malaysia's. The shares could then be traded on the Kuala Lumpur Stock Exchange, Stock Exchange of Singapore spokeswoman Rosalind Yeo said.

"We did send a proposal earlier this week," Yeo told The Associated Press. She declined to give further details.

The shares, once traded over-the-counter in Singapore, were thrown into limbo when Malaysia imposed capital controls in September. The move banned the trading on Malaysian-listed shares outside the country.

Some 170,000 Singaporeans and Singapore-based investors own the shares, which were initially worth a total of \$2.7 billion.

Debt write-off for poor nations Southern Africa criticises IMF gold sale plan

DURBAN (South Africa), July 8: Southern African leaders yesterday condemned plans by rich nations to sell off gold to finance debt relief for the world's poor, saying the move would do more harm than good, reports Reuters.

As diving bullion prices threaten jobs and investment in the mineral-rich region, there are growing calls for the Group of Seven (G7) nations to forgive Third World debt without the proposed sale of 10 million ounces of International Monetary Fund (IMF) gold.

"It is within their power to do so without selling the gold," said Kaire Mbuende, executive secretary of the 14-member Southern African Development Community (SADC).

"Selling the gold will create a new problem," Mbuende told the closing session of the Southern Africa Economic Summit in the Indian Ocean port of Durban.

The issue of debt relief for the world's poor and how to pay for it was a dominant issue at the meeting, a sister meeting to the larger annual World Economic Forum in Davos, Switzerland.

The IMF programme, which was approved by G7 leaders two weeks ago, would aid 41 of the world's poorest countries.

But critics argue its negative impact on bullion prices would be disastrous for many of those same countries whose economies depend on mining income.

Instead, some delegates argued that G7 members, among them former colonial powers in Africa, had a moral obligation

to forgive the debts of the world's poor.

"The answer is write it off. Clearly by selling gold it does more harm than good," said Patrice Motsepe, executive chairman of African Rainbow Minerals, a South African black empowerment group.

The idea of writing a "blank cheque" for Third World debts was quickly rejected by US Deputy Commerce Secretary Robert Mallett, who led a US delegation to the three-day summit.

Mallett said this would send the wrong message to foreign investors whom the continent desperately needs. "It's that sense of entitlement that is discouraging to investors," he told reporters on Monday.

The IMF proposal needs the support of 85 per cent of the institution's board. Since the United States has a 17 per cent vote at the fund, Congress could effectively veto the plan.

US Republicans have already introduced legislation to block the proposal, arguing that it would hurt 36 of the 41 countries targeted for debt relief under the programme.

Mallett said opposition to the IMF gold sale at the summit, including South African President Thabo Mbeki's warning on Sunday that it would be disastrous for the region's economies, would be noted in Washington.

"What President Mbeki has said will cut a large figure in our thinking," Mallett said, although he declined to predict how Congress would vote.

Bullion prices hit fresh 20-

year lows on Tuesday as Britain auctioned 25 tonnes of gold under a programme to sell over half its gold reserves in the next few years.

In the wake of Britain's sale, gold producers in South Africa, Tanzania, Ghana, Mali, Burkino Faso and Zimbabwe fear the IMF sale will put further pressure on bullion which is a major foreign exchange earner and source of jobs on the continent.

"It doesn't make sense to say we'll weaken your economies and then give you a little debt relief," said Trevor Manuel, minister of finance in South Africa where the bullion slump claimed its first victim this week.

East Rand Proprietary Mines (ERP), one of the country's oldest mines employing 5,000 workers, is facing liquidation after it failed to win a bailout package from South Africa's cash-strapped government.

Five other mines have notified the industry's Gold Crisis Committee that they plan to retrench about 8,000 miners.

Gold executives and union leaders have warned that a sustained gold price below \$260 an ounce would make 40 per cent of the country's gold output uneconomic and threaten 80,000 jobs.

"At current gold prices we clearly have some shafts that are not at profitable operational levels. That is not sustainable in the long run," said Bernard Swanepoel, chief executive of South Africa's Harmony Gold HARJ. J.

politicians from the western US gold-producing states, when lawmakers return to Washington next week.

Among those opposing the plan are House Republican Leader Dick Armey, who has urged fellow lawmakers to oppose the plan. The plan needs the approval of 85 per cent of the IMF's board. Since the United States has a 17 per cent vote at the fund, Congress could effectively veto it.

Armey and Joint Economic Committee Vice Chairman Jim Saxton of New Jersey introduced a bill last week which would block the sale of IMF gold unless proceeds were returned to the US and other IMF donor nations.



A shopper selects gold jewelry at a Hong Kong gold shop Thursday. Hong Kong's fondness for gold has led the territory to have one of the highest per-capita gold consumption rates in the world, reaching 5.3 grams per person in 1998, compared to 1.6 grams in the US. —AFP photo

IMF to mull gold sales as opposition mounts

WASHINGTON, July 8: The International Monetary Fund's board will meet on Friday to discuss how to sell part of its gold reserves without the bruising affect on prices seen after the Bank of England sold 25 tonnes of gold bullion on Tuesday, reports Reuters.

The board will be discussing these issues on Friday, IMF spokesman Graham Newman said.

The IMF plans to sell up to 10 million ounces of a total gold reserve of 104 million ounces over several years to help relieve the debt of 41 of the world's poorest countries.

The hotly debated plan, which needs approval from the US Congress, met with increased opposition following

Tuesday's sales by the Bank of England which drove gold down to a 20-year low of \$256.80 a troy ounce.

South African Finance Minister Trevor Manuel was among those claiming IMF gold sales would harm the struggling economies it aimed to help.

"It doesn't make sense to tell countries we will weaken your economies and then give you a little debt relief," he said after the Bank of England sales.

IMF Managing Director Michel Camdessus continued to defend the plan.

Gold experts and aid organisations said it was not gold sales that were pounding gold prices lower but the attitudes of gold-producing nations.

Jeffrey Christian, an analyst at CPM Group in New York, said gold prices have dropped in recent months because gold-producing nations have created a sense of panic by objecting to the sold sales rather than downplaying their significance.

"Instead of saying this amount of gold sales can be easily absorbed by the market, the gold producers have contributed to the negative atmosphere in the market by objecting," Christian said, noting that Tuesday's Bank of England sales only amounted to 3 per cent of London's daily bullion market

turnover.

Tuesday's sales by the Bank of England were the first step in a plan to cut its reserves to 300 tonnes from 715 tonnes.

"You can expect the bears to use the IMF gold sales issue to drive the price of gold down further," he said.

Veena Siddharth of aid organisation Oxfam International in Washington disagreed with the idea that gold prices were being driven lower by Bank of England sales or by the prospect of the IMF putting some of its gold on the market.

"There is an element of denial among the gold-producing countries," she said. "The price of gold is going to go down, that's inevitable, whether the IMF sells gold or not."