Coca-Cola likely to face record high fines

BRUSSELS, July 24: Coca-Cola Co. and three of its bottlers could face record fines if the European Commission finds fault with their sales practices, but lawyers and analysts struggled on Friday to quantify potential damage, reports Reuters.

"Fines could become very high. The maximum is 10 per cent of turnover," European Competition Commissioner Karel Van Miert, whose agents raided Coke offices earlier this week and seized internal files as part of a probe into suspected abuses of the company's dominant market position, said on Thursday.

With Coca-Cola revenues forecast to exceed $20 billion this year, a maximum levy of 10 per cent would far surpass previous fines imposed by European, or even US, regulators in cases of anti-competitive market behaviour.

Paying out $2 billion or more could cut Coke's projected 1999 profits of $3.5 billion by more than half, but analysts said such a devastating penalty was very unlikely.

"The normal European rule is that they can be fined up to 10 per cent of the turnover of the business ... but no one has ever been hit anywhere near that," said a London beverage industry analyst at a major investment bank who asked not to be named.

Lawyers in Brussels called the 10 per cent ceiling a theoretical limit only.

"The commission doesn't calculate the figure by reference to the maximum possible," one said.

He added that a more likely reference point could be Coke's European sales, which represented 21 per cent of the firm's 1998 global turnover of $18.8 billion.

A Coca-Cola spokesman declined to comment.

In New York Stock Exchange trading Friday, Coke stock, a component of the Dow industrials, finished $1 lower at $62.

On Wednesday and Tuesday, agents for the commission raided the offices of three Coke bottlers in Germany, Britain, Denmark and Austria, adding to a series of European mishaps for the world's largest soft drink firm.

On Thursday, Atlanta-based Coke said it would cooperate with the commission but said it had not violated any competition law.

"We believe we are within full compliance of all competition laws and regulations and we are cooperating fully with the authorities," the company said.

According to EU guidelines, 20 million euros ($21 million) is the basic fine a company can expect when committing "very serious infringements," a term denoting horizontal price cartels and clear-cut abuses of dominant market positions.

Yet British Airways was fined only 6.8 million euros ($7.1 million) earlier this month for tying UK travel agents to its services, something that one Brussels lawyers called "a pretty flagrant abuse."

In comparison, German car maker Volkswagen was fined 102 million euros ($107 million) in January 1998 — a record in the EU for a single company — in another sales practices case.

Warning on budget, privatisation

IMF okays $ 213m loan tranche for Manila

WASHINGTON, July 23: The International Monetary Fund offered the Philippines a $213 million installment from an existing $1.4 billion loan yesterday, but warned about budget shortfalls and sluggish privatisation, reports Reuters.

IMF Deputy Managing Director Shigemitsu Sugisaki said fund directors had urged the Philippine government to speed up structural reforms. Lower interest rates would be possible only if inflation continued to fall and the peso stayed stable.

"Directors expressed some concern about the continuing shortfalls in budget revenues which constrained the room for essential expenditures," Sugisaki said. "A stronger revenue effort was seen as critical to medium-term fiscal sustainability and rapid growth with increased equity."

The Philippines was one of the early victims of Asia's financial crisis, a wave of economic problems which started in Thailand just over two years ago and spread rapidly across Asia and then around the globe.

But the worst now appears to be over and officials expect Philippine growth of between 1 and 3 per cent this year.

"Directors commended the authorities for the implementation of economic policies that had allowed the Philippine economy to weather the regional crisis relatively well," Sugisaki said.

"They expressed satisfaction about the ongoing recovery in economic activity, the continued improvement in the external position and the significant reduction of inflation."

Sugisaki praised Philippine monetary policy, but urged caution. "Interest rate reductions should remain conditioned on peso stability and disinflation," he said.

Government officials said last week that the IMF was ready to agree to a wider-than-expected Philippine budget deficit of 78.4 billion pesos, but the IMF statement made no mention of the plan. Manila is soon likely to authorise the release of its letter of intent to the IMF, outlining this and other targets.

Brazil's coffee output to drop sharply

BRASILIA, July 24: Brazil's coffee production from July of 1999 to June 2000 is estimated to be 24.8 million bags (60 kilograms per bag), a 26.9 per cent drop compared to the 33.95 million bags last year, says Xinhua.

WB okays new terms for Russia loans

WASHINGTON, July 24: The World Bank yesterday agreed terms to reopen two big stalled lending programmes to Russia, but has not yet set a date to resume loan payments to the world's biggest country, says Reuters.

A spokeswoman said payments would depend on Russia meeting additional conditions agreed with the World Bank board and on the completion of a lending agreement with the International Monetary Fund.

"There are still conditions that the Russians must meet," she said. "Payments could come at the of the summer."

The IMF board is due to meet next week to consider a $4.5 billion loan, providing Russia with much of the money it needs to repay existing IMF credits.

The World Bank money will comprise $400 million from an $800 million loan to restructure Russia's outdated coal sector and the $250 million still unpaid from an $800 million loan to help protect the poor.

Pepsi complaint prompted Coke raids in Europe

ATLANTA, July 24: PepsiCo has acknowledged filing the complaint that prompted a European investigation of charges Coca-Cola is illegally trying to force competitors out of the market, reports AP.

While Pepsi refrained from beating up on its rival during Coke's recent contamination scare in Belgium, analysts say the No. 2 soft-drink maker is trying to gain a competitive edge by distracting Coke with regulatory and legal challenges.

The European Union suspects Coke may have offered rebates to retailers to shut out competition in markets the Atlanta-based company already dominates. The EU confirmed this week that raids were conducted at Coca-Cola offices in four European countries to seize documents from the world's largest soft-drink manufacturer.

Pepsi said Friday it first complained to European regulators about Coke's business practices last year and formally filed its complaint June 1.

"We did file a complaint with the commission regarding trade practices by the Coca-Cola system," Pepsi spokesman Richard Detwiler said Friday.

International Chamber of Commerce (ICC) — Bangladesh hosted a farewell reception in honour of the outgoing French Ambassador Renee Veyret at a local hotel on Thursday. Among others, diplomats of G7/EU, business leaders, bankers, senior officials of the Foreign Ministry and newspaper editors attended the function. The picture shows a section of the distinguished guests, President of ICC Bangladesh Mahbubur Rahman, ICCB Vice-Presidents Latifur Rahman and A Rob Chowdhury with Veyret. —ICCB photo

Indonesia's economic growth forecast raised

JAKARTA, July 24: The Indonesian government and the International Monetary Fund (IMF) agreed to increase the country's economic growth forecast for 1999/2000 to 1.5-2.5 per cent from 0-2 per cent, reports Xinhua.

"Growth prospects are benefiting from improving market sentiment, higher agricultural incomes and recovering consumer demand," the government said in its latest letter of intent (LoI) with the IMF.

The LoI was issued by the office of the coordinating minister for economy, finance and industry here Friday. Signed by the government and the IMF following a routine review of Indonesia's economic reform progress, the LoI paves the way for the disbursement of the IMF's 43-billion-US dollar rescue package to the country.

"Market sentiment has improved markedly since the last review, helped by the peaceful completion of the June 7 parliamentary election," the LoI was quoted by The Indonesian Observer Saturday as saying.

The LoI also revised the annual inflation rate to 4-5 per cent and the gross foreign exchange reserves to 27.5 -28.5 billion dollars.

Commenting on the LoI economic analyst Umar Juoro said the target of the gross foreign exchange reserves is difficult to reach because of political and economic factors.

"The upcoming residential election will have an impact on the Indonesian economy, he was quoted by the Antara News Agency Saturday as saying.

According to Bank Indonesia, the country's gross international reserves, which are net foreign exchange reserves plus outstanding foreign exchange contracts, dropped by 295.8 million dollars to 26.6 billion dollars on July 15 compared with the previous week's level.

Umar said the 4-5 per cent inflation rate could still be achieved, as prices had been declining.

Indonesia's inflation in March, April, May and June respectively was 0.18 per cent, 0.68 per cent, 0.28 per cent and 0.34 per cent, bringing the cumulative inflation in the first semester of this year to 2.73 per cent compared with 46.55 per cent in the corresponding period last year.

The declining inflation rate, Umar said, was associated with the drop in the inflation of foodstuffs which has a strong effect on the overall inflation.

He said that agricultural production has improved, although it has been raining during the current dry season, but harvests are good.

Food sufficiency may lower prices, he added.

Indian shares may move in narrow range next week

BOMBAY, July 24: Indian shares are expected to move in a narrow range next week on technical considerations, brokers said today, reports AFP.

The 30-share Bombay Stock Exchange (BSE) sensitive index was up 32.18 points, or 0.7 per cent, to close trade on Friday at 4,672.12 points, over the previous week's close.

S'pore non-oil exports post 7.5 pc growth

SINGAPORE, July 24: Singapore today announced solid export growth for the 12 months to June and issued a hefty upward revision to its 1999 full-year trade forecast, reports Reuters.

Non-oil exports grew 7.5 per cent during the year to June, the third consecutive month to show a rise from a year earlier, underlining a robust economic recovery.

The Trade Development Board greatly revised up its forecast for 1999 total trade (including oil), which it now sees four to six per cent higher than last year's, compared with the previous estimate that it would be five to seven per cent lower.

Last year, Singapore's total trade was down 7.5 per cent, the island's first decline since 1986.

June exports were a little weaker than expected and showed less annual growth than May's figure, which had been distorted by a particularly poor result in May 1998.

"The 7.5 per cent for June is quite a healthy number. It's below the market, but still healthy," said Kaan Quan Hon, an economist at DBS Securities. "Going forward, we are expecting the trade numbers to hold up quite well."

Ten economists polled by Reuters had, on average, forecast June non-oil exports up 9.0 per cent on a year before.

The board said non-oil domestic exports in June had been S$8.49 billion, up 7.5 per cent on a year earlier, after surging 15.5 per cent during the year to May and 8.5 per cent in the year to April.

NBL earns Tk 43.64cr in 6 months

National Bank Limited earned an operating profit of Tk 43.64 crore in the last six months, says a press release.

This was disclosed at the half yearly conference of the Managers and Executives of the bank held at a city hotel yesterday.

M Nurul Islam, Chairman of the bank, presided over the meeting. He appreciated the achievement and progress during the first half of the year.

Khalilur Rahman, director of the bank, in his speech called for better performance of the bank to face the challenges of twenty-first century.

Habibullah, another director of the bank, emphasized loyalty of the employees towards the bank specially in the changed circumstances.

Rafiqul Islam Khan, Managing Director of the bank, in his welcome attributed the bank's successive achievement in respect of profit earning, deposit mobilisation and export and import business to continued efforts of the members of all level employees of the bank.

The executives, regional heads and branch managers of the bank participated in a threadbare discussion at the business session of the conference.

The conference reviewed the bank's performance over the last six months and mapped out strategy for achieving the target of the annual operational budget for 1999.

Metal: Weekly Roundup

Gold prices level off while silver retains shine

LONDON, July 24: Gold prices levelled out after weeks of sharp declines as investors factored in the possibility of the US Congress blocking International Monetary Fund (IMF) gold sales, designed to finance debt relief to poor countries, says AFP.

The price of gold on the London Bullion Market stood at 255.40 dollars an ounce on Friday afternoon from 255.05 dollars a week earlier.

The planned IMF gold sales, coupled with British auctions of the precious metal, have depressed the market, pulling prices down to 20-year lows.

But the market found some support in the objections of some US lawmakers to the IMF plan to sell some 300 tonnes of its reserves to fund debt relief.

A reversal of the IMF project would not just limit supply but would bring a little sparkle back to the tarnished yellow metal, analysts say.

"The issue in the gold market is not the sale of gold by central banks (the market needs such supplies to remain in balance), but the implied sentiment that gold has a much reduced monetary status," said the GNI brokerage in research note.

Gold also found sustenance from the weakness of the dollar on foreign exchange markets. Investors often switch into the metal when the dollar softens.

SILVER: Colour. Silver got a little shine in its colour back this week thanks to steadying prices on the gold markets, which drew investors back to precious metals.

Cash prices on the London Bullion Market picked up six cents to 5.11 dollars an ounce in largely technical trade, amid an absence of any fundamental factors to drive prices.

PALLADIUM AND PLATINUM: Patient. Prices gently improved as the market anticipated tighter supply in coming years, sector research suggested.

The palladium cash price gained four dollars to 341 dollars an ounce, while platinum prices added 4.50 dollars to 352 dollars an ounce.

The palladium price was buoyed by Swiss imports of 33.7 tonnes of palladium products in June, which analysts said could amount to a guarantee for a loan to Russia's finance ministry.

BASE METALS: Sunk. Copper led a downturn of the base metals complex on the London Metal Exchange (LME) amid widespread predictions for a supply surplus this year.

Three-month copper prices fell by 33 dollars to 1,657.5 dollars a tonne in spite of a 7,325-tonne fall in market reserves to 762.775 tonnes.

Dealers predicted that the copper market would shoulder a surplus of more than 230,000 tonnes this year.

Trading volume was extremely light due to the summer time lull.

Some analysts predicted that demand would increase next year, as the European economy, led by Germany and France recovers from recent lethargy.

Aluminium bucked a generally weaker trend on the metals market.

Three-month aluminium prices rose 3.7 dollars to 1,443.5 dollars a tonne with a strike risked holding up production.

The latest strike threat came from Alcan's Kitimat plant in British Colombia, western Canada.

US workers at Kaiser plants in the western United States have been protesting for 10 months.

Lead prices fell amid the general market malaise. Market rumours that the US army plans to make bullets from tungsten instead of lead, on ecological grounds, further hit trading sentiment, dealers said. "There are rumours that in the event of a conflict, those hit will be given an 'organically shot' certification".

NYSE may go public by late Nov

NEW YORK, July 24: The New York Stock Exchange, the world's largest stock market, on Friday said it hopes to go public by late November, taking advantage of what may be the longest running bull market in US history, says Reuters.

The move could mean that any investor may buy shares in the 207-year old Wall Street institution, long seen as a money-making machine for its elite 1,356 members.

"The competitive environment is such that we believe it makes sense for us to be a publicly traded company," a spokesman for the NYSE said on Friday.

The spokesman said there has been no serious opposition from the membership to an initial public offering. He said the NYSE board will vote on whether to go public at a September 2 board meeting following recommendations from its financial adviser Merrill Lynch & Co Inc. One NYSE source said that Big Board Chairman Richard Grasso had held a meeting on Wednesday with floor members.

One obstacle, however, could be the Internal Revenue Service.

The exchange said that it was requesting a ruling on whether members who swapped their seats for shares would be subject to a capital gains tax. If that were the case, the NYSE might scrap the idea, the spokesman said.

Currently, all US stock markets are privately held, although the National Association of Securities Dealers, parent of the Nasdaq and the American stock exchanges, has previously said it is taking steps toward a possible IPO.

However, the Stockholm Stock Exchange is owned by publicly traded Sweden's OM Group Inc and the Australia Stock Exchange trades on its own bourse.

"It is a reflection of the dramatic changes that are taking place in today's financial markets," said James Angel, associate professor of finance at the Robert Emmet McDonough School of Business at Georgetown University.

"A lot of competition is going into their space. By being a for profit as opposed to a membership organisation, they are going to be able to respond more quickly to changes in the environment," he said.

As the Dow Jones industrial average has climbed more than 7,000 points since 1994, the New York Stock Exchange has seen its star rise too. The building, with its neo-classical facade, has become a mecca for tourists and a favourite photo-op for foreign dignitaries, celebrities and supermodels.

M Nurul Islam, Chairman of National Bank Ltd, delivers his inaugural speech at the half-yearly Executives and Managers Conference of the bank at a local hotel yesterday. Khalilur Rahman and Habibullah, Directors, and Rafiqul Islam Khan, Managing Director of the bank, are also seen in the picture. —NBL photo

'US won't back oil anti-dumping move against OPEC powers'

WASHINGTON, July 24: US Energy Secretary Bill Richardson reaffirmed yesterday that the government does not support dumping charges that a US oil industry group has brought against Iraq, Mexico, Saudi Arabia and Venezuela, says AFP.

"It is not the US government that is taking these aggressive actions," Richardson told reporters, adding that the Commerce Department would decide on the merits of the dumping petition.

A group of small US oil producers called "Save Domestic Oil" filed a dumping petition on June 29, asking the government to impose penalties against oil imports from the four countries.

"It does not appear that this group has widespread support," Richardson said.

"We are pleased with our relationships with Saudi Arabia, Mexico and Venezuela," he added.

US punitive action a cruel blow to Indian steel industry

By I. Gopalakrishna

NEW DELHI, July 24: As India's steel industry is coming out of recession and sees a bright year ahead, the decision by Washington to slap punitive tariffs on the country's steel exports to U.S. has come as a cruel blow.

The public sector Steel Authority of India Ltd's (SAIL's) plans for financial restructuring and shedding surplus manpower also has been put on hold with the announcement of the general election schedule and only the new government that will assume office in October can take a decision on the restructuring of SAIL.

It would seem that the steel industry's woes will never end. After last year's battering when demand for steel slumped in the economic slowdown and steel plants chalked up losses with SAIL alone losing an estimated Rs. 16 billion ($380 million), demand was picking up both in India and abroad. But the American clampdown, along with other domestic developments, has dampened hopes of a speedy revival of the industry.

Washington has on two successive days last week announced crippling hikes in tariffs on steel exports from India and a few other countries. The U.S. has raised tariffs ranging from four to 59 per cent on thicker grades of steel plates with the highest tariffs proposed against India and Japan.

A day earlier, the Commerce Department had in a preliminary ruling imposed punitive tariffs ranging from one to 23 per cent on cut-to-length plates used in farm and construction equipment, bridges, ships, rail cars and buildings.

The department alleged that the low-priced imports had led to thousands of redundancies in the American steel industry and charged India, France, Indonesia, Italy and South Korea with subsidising their exports and artificially lowering steel prices which are prohibited under the American and international trade laws. Steel secretary Ashok Basu has rejected the U.S. allegation and asserted that there was no dumping of steel products by India in the U.S. market. "We don't believe in dumping. We will not do anything that will harm the U.S. industry", he said, adding that India was exporting steel at internationally competitive prices.

Meanwhile, the private sector steel major Essar Steel is making desperate efforts to escape the tag of being the first Indian corporate to default in the eurobond market on its 250-million-dollar floating rate note (frn).

The issue was rescheduled for redemption on July 20, but the 170 billion rupee Essar conglomerate is reportedly negotiating with a foreign bank for help to tide over the crisis after Indian financial institutions refused a helping hand. Essar has asked that the loan be rolled over till it is able to find a way out.

Essar officials have said a notice would be sent to Chase Securities, the trustee of the frn issue and the holders of the issue, for a temporary bail-out.

Indian financial institutions turned down a last-minute appeal from Essar for a bail-out and advised the company to seek a roll-over. Essar had earlier extended the redemption date for its 40-million-dollar issue in the eurobond market in March last when it got a breather of three months.

The Indian institutions function under strict government guidelines and cannot go to the rescue of a borrowing firm unless the firm itself has conformed to external commercial borrowing norms.

The executive director of the Industrial Development Bank of India (IDBI), Surender Kumar Kapoor, told Journalists that long-term financial institutions such as IDBI and IFC would not be able to lend to new corporates in industries such as steel and cement.

The Indian steel industry has been hit by a high-cost situation and sluggish demand.

— India Abroad News Service

Move to weather cash crunch

ROK govt urges Daewoo to sell off assets

SEOUL, July 24: A top government economic policymaker urged South Korea's troubled Daewoo Group of Saturday to accelerate selling off assets to improve its severe cash shortage, reports AP.

Economy and Finance Minister Kang Bong-Kyun was the second senior government official in as many days to warn that if Daewoo does not move quickly to resolve its financial woes, it could drag down the entire economy.

"Investors at home and abroad will restore their confidence only when Daewoo moves quickly to sell its assets and use the money to lower its debt amount," Kang told a seminar for executives, held on the southern island of Cheju.

Daewoo, South Korea's second-largest conglomerate, narrowly escaped becoming South Korea's largest-ever bankruptcy early this week when creditors agreed to delay repayment of $8.3 billion in short-term debt for six months and extend $3.3 billion in new loans.

Kang said the worst of Daewoo's short-term cash crunch will be over by Monday because banks and financing institutions were hurrying to infuse the $3.3 billion in emergency loans.

But doubts persisted over Daewoo's commitment-and ability — to unload most of its 40 subsidiaries within six months. As concern spread, Korean stock prices plunged by 7.3 per cent on Friday — the third largest drop in the stock market's history.

Moving to contain the panic, Lee Hun-jai, head of the government's Financial Supervisory Commission, said Friday evening that credit banks will help Daewoo's restructuring by selling $8.42 billion of Daewoo stock and real estate which the conglomerate put up as collateral.

Government officials said most of Daewoo's subsidiaries will be sold or spun off to raise enough funds to improve the financial standing of the two main companies — the flagship trading arm Daewoo Corp and Daewoo Motors, the country's No 2 car maker.

Beginning in the fourth quarter, credit banks will also convert unpaid loans into equity to lower Daewoo's debt amount and make its subsidiaries more attractive for sale, they said.