

Japan takes retaliatory action against US steel tariffs

List of targeted products lodged with WTO

AFP, Geneva

Japan has lodged with the World Trade Organisation (WTO) a list of US products it plans to hit with retaliatory tariffs in response to US tariffs on some steel products, the WTO said on Friday.

"The notification has just come in," a spokesman said, although he was unable to give details on which US products were included on the list.

A Japanese government trade official said on Thursday that Japan

planned to impose 100-per cent tariffs worth 4.88 million dollars (5.36 million euros) a year on certain US steel products from June 18 if the two sides could not settle the matter before then.

But he said that if the US measures were found to fall foul of global trade rules, Japanese retaliation would increase to 123.4 million dollars.

It is the first time Japan has ever lodged notification with the Geneva-based WTO that it plans retaliatory action, he said.

Japan has drawn up the list in case the United States does not compensate it for the effects of US steel tariffs of up to 30 per cent that took effect in March, and have caused an international outcry.

On Tuesday the European Commission also presented two lists of US products for retaliatory tariffs in response to the US steel tariffs.

US products, including citrus fruits, certain steel products, rice and some textiles could have 100 per cent tariffs imposed on them

from June 18 as per the first "short" list if the US fails to compensate the EU for its steel safeguards.

The second list is more long-term, and includes products such as dried fruits, apricots, paper and textiles.

These tariffs, which would be between eight and 30 per cent, would take effect if the US failed to withdraw the steel safeguards after a possible condemnation by the WTO's dispute settlement body in 2003 at the earliest.

Oil prices fall as Russia announces output hike

AFP, London

Oil prices fell on Friday after Russia, the world's number two oil-exporting nation, said it was to lift its self-imposed curb on exports within the next two months.

Reference Brent North Sea crude for June delivery fell 18 cents to 26.20 dollars a barrel here by early afternoon.

In New York, the light sweet crude June contract fell 20 cents to 27.95 dollars Thursday, and was down another 15 cents in out-of-hours electronic trade Friday.

The losses followed Russian Prime Minister Mikhail Kasyanov's announcement that his country would restore oil exports to the level they had been at before it had bowed to pressure from the

Organisation for Petroleum Exporting Countries (OPEC) to introduce restrictions on January 1.

"The situation on world oil markets is almost stabilised and, in view of this, we think the time has come to gradually lift restrictions on our oil exports," Kasyanov was quoted as saying by Russian news agencies.

Moscow agreed to curb oil exports by 150,000 barrels per day (bpd) from the start of 2002 as part of a producer pact brokered by OPEC to skim 1.5 million bpd from world markets to help haul prices out of a post-September 11 slump.

But it also warned then it would review the decision if the market situation changed.

"The Russian news clearly had a negative influence when it came out. Although the story isn't totally

surprising, there were some signs the government might perhaps have been leaning towards OPEC," said Lawrence Eagles, an oil expert at the GNI brokerage.

However, with export figures showing Russian producers had actually been paying scant notice of the agreement to cut output, it was questionable how significant a development this was in its own right, he added.

Eagles said the main concern was how other countries would respond.

"We had the acting Kuwaiti oil minister indicating earlier in the week that OPEC might raise output if non-OPEC members do as well," Eagles told AFP, though he added that this was unlikely to happen.

34 nations face severe food shortage this year: FAO

AFP, Rome

Thirty-four countries face severe food shortages this year, the UN Food and Agriculture Organisation announced Thursday in its first forecast of global cereal production in 2002.

The announcement, part of the UN agency's global information and early warning reports on crops, comes against the backdrop of what it called "a generally favourable food outlook" globally.

It said cereal production, the barometer of global food stocks, would remain below the expected consumption, meaning stocks would have to be drawn down for the fourth consecutive year.

'Andersen hoped to double income from Enron'

AFP, Houston, Texas

Former Arthur Andersen accountant David Duncan testified Thursday that his former firm hoped to double the amount it earned in fees from Enron Corporation, but maintained the firm was not derelict in its auditing duties of the failed energy trader.

Duncan, the government's star witness in Andersen's obstruction of justice trial, revealed that the firm hoped to boost the amount of fees it raked in from Enron to 100 million dollars annually from the 50 million it earned in 2000.

But in his second day of cross examination, the 43-year-old testified that in spite of the cozy relationship between Andersen auditors and Enron executives, the accounting firm was openly critical about certain of its client's accounting practices as early as 1999.

"We often found that Enron documents didn't have much documentation. We suggested that they improve in that area," Duncan said.

More pertinently, Duncan told Rick Causey, Enron's chief of accounting, that the energy trader's board should be required to sign off on LJM, the holding company for certain off-balance sheet partnerships whose multi-million dollar losses eventually helped bring down the energy titan.

Weekly Currency Roundup

May 11-16, 2002

Trading in the local foreign exchange market was moderate. Demand for dollar was high.

In the weekly treasury bill auction, Bangladesh Bank accepted treasury bills worth of BDT 0.2 billion. The government accepted BDT 120 million at 3.8 per cent for 28-day T-bills, BDT 20 million at 5.03 per cent for 91-day T-bills, BDT 40 million at 5.9 per cent for 394-day T-bills, and BDT 20 million at 8.7 per cent for 5-year T-bills. Demand for BDT for overnight borrowing at call was steady throughout the week and the call money ranged between 9 to 17 per cent.

In the beginning of the week, dollar was on the defensive on Monday amid worries over US economic recovery and attractiveness of the US Assets markets. US stocks recorded a fall after the winning streaks last week, which also contributed to the dollar's fall. Yen rose against the dollar for the third consecutive day, unaffected by the expected downgrade by Moody's investor services.

Dollar recouped some of the losses against the major currencies on Tuesday mainly because of the rally in Wall Street. The Dow Jones Industrial Average (DJIA) registered a rise of 1.71 per cent and the Nasdaq composite index rose 3.23 per cent on Monday, comforting worries over rebound in US economy. Dollar registered temporary gains against euro as rally in Wall Street soothed concerns about US economy. However, dollar failed to gain against yen as Japan's rising current account surplus shows the flow of profit repatriation from exporters and investors. The country's current account surplus rose 52 per cent in March; highest level in nine years.

Later in the week, euro rallied against dollar on renewed optimism about labour strikes in Germany coming to an end. Among other factors, upgradation of Italy's sovereign debt rating to Aa2 from Aa3 and talks of Microsoft's buying Deutsche Telecom's online unit, T-online contributed to euro's rise.

At 1445 hours on Thursday, euro traded at 0.9113/18 against dollar, pound sterling at 1.4573/75 and yen traded at 127.56/61 against US dollar. -- Standard Chartered Bank

Global gold demand falls by 10pc

REUTERS, London

Global demand for gold fell 10 per cent to 749.5 tonnes in the first quarter of 2002 against a year earlier despite greater investment interest in the precious metal, the World Gold Council said Thursday.

The WGC said in its quarterly Gold Demand Trends that in the 27 markets monitored by the industry-funded organisation, the first three months of 2002 were characterised by strong investment purchases especially in Japan, but this was offset by floundering jewellery demand.

Retail investment demand at 125.6 tonnes showed a 31.6 per cent jump on the first three months of 2001.

The strong rise in Japanese investment demand, which at 56.5 tonnes was 156 per cent up year-on-year and the highest since the second quarter of 1995, was due to lingering fears over the health of the country's economy, the collapse of energy giant Enron Corp and Argentina's debt default.

"Japanese investment was evidenced on both the retail and the professional sector as the market took cognisance of a series of both international and domestic issues that highlighted the potential benefits of risk diversification," the WGC said.

Lankan recovery depends on low oil prices

REUTERS, Colombo

Hopes of a quick rebound this year in Sri Lanka's war-plagued economy could suffer a setback if global crude oil prices remain high after their recent jump, analysts said Thursday.

The government had been forecasting growth of 3.7 per cent this year after the economy shrank 1.4 per cent last year -- its first-ever contraction -- but high oil prices may cut into that growth, they said.

The cost of oil imports could rise

more than 15 per cent for the import-dependent country if the price of a barrel of crude oil stayed close to \$30 for the rest of the year, analysts said.

Benchmark U.S. crude prices were above \$28 a barrel on Thursday, just off eight-month highs, and up sharply from \$20 in January.

"If it continues it can certainly affect growth," said Chinthaka Ranasinghe, the head of research at John Keels Stockbrokers.

Sri Lanka imports all of its oil needs and the government based its

budget forecasts for 2002 on an assumed average crude oil price of \$20.09 a barrel.

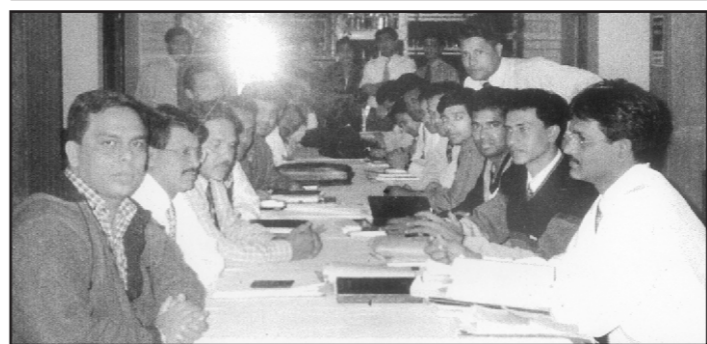
The government is trying to limit the budget deficit to 8.5 per cent of gross domestic product after seeing it jump to nearly 11 per cent last year, while also hauling in the inflation rate to nine per cent from more than 14 per cent.

The state-run Ceylon Petroleum Corp, the country's sole refiner, bought Arab Light crude at an average \$26 a barrel last month, sharply higher than the \$19 paid in January, a company source said.

"In the first three months the prices were low. We never anticipated this at the beginning of the year," he said.

He added an average price of \$30 for the rest of the year would add an extra \$100 million to the estimated oil import bill of \$600 million.

Crude oil and petroleum product imports account for about 10 per cent of the country's total import bill, and the economy teetered towards a crisis in 2000 after a spike in oil prices sent the currency twirling down 15 per cent.



A sales team of Horlicks, Maltova, Viva, Boost and Eno had a sales conference in Darjeeling, India recently.

US FBI probing Kmart over possible criminal violations

AFP, Washington

The Federal Bureau of Investigation confirmed it is investigating Kmart Corp in connection with possible criminal violations Thursday.

"The FBI is looking at the situation at Kmart to determine any possible violations for criminal prosecution at a later time," FBI agent Dawn Clenney said, declining further comment.

Kmart could not be reached for comment.

The move follows Wednesday's announcement by the troubled discount retailer that it posted a net loss of 2.42 billion dollars in 2001, versus a loss of 244 million dollars in 2000.

Kmart's board of directors is currently investigating a series of loans totaling 30 million dollars that were granted to former chief executive officer Charles Conaway and other senior executives prior to the firm filing for bankruptcy protection in January.

The US Securities and Exchange Commission has also begun an investigation of the Troy, Michigan-based retailer's accounting procedures.

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