

Romak Will Pursue Its Dispute Against Trader Uzkhleboprodukt

By STEVE McGRATH
Dow Jones Newswires

LONDON — Swiss-based commodity trading company Romak SA said it will open legal proceedings against an Uzbekistan state-run trading company, Uzkhleboprodukt, for alleged nonpayment on 40,580 metric tons of milling wheat.

The dispute could have serious implications for Uzbekistan's reputation on the world market, particularly as the Uzbekistan government is implicated in the proceedings. Indeed, Romak's claims come at a sensitive time for the nation ahead of a London conference to be held later this week titled "Doing Business in Uzbekistan."

The dispute hinges on nonpayment for the delivery of 40,580 tons of Kazakstan wheat supplied by Romak to Uzdon, a trading subdivision of Uzkhleboprodukt, during July and August 1996.

Uzkhleboprodukt urgently needed Romak's grain to cover the nondelivery of wheat bought from another Uzbekistan company, Odil. Verbal assurances on the Romak-Uzdon trade were given by the office of Uzbekistan Prime Minister Utkur Sultanov, Romak said.

Letter of Credit Needed

According to the contract and guarantee, Uzkhleboprodukt was obliged to open a letter of credit with the National Bank of Uzbekistan prior to Oct. 10, 1996, a deadline it failed to meet, Romak said.

Romak was therefore obliged to present documents for collection — effectively a demand for payment — through Switzerland's Credit Suisse bank and the National Bank of Uzbekistan. The documents remain unpaid.

A Romak spokesman said: "It is a very bad situation; we have shown a lot of goodwill and given them every chance. But you need goodwill from both parties."

Officials at Uzdon and trade officials at the Uzbekistan embassy in London were unavailable for comment on Wednesday.

The dispute was brought before an arbitration court under the auspices of the

London-based Grain and Animal Feed Trade Association in August 1997, which ruled against Uzkhleboprodukt's Uzdon.

Gafta ordered the Uzbekistan company to pay \$10.5 million to Romak for the grain. Despite this order, Uzkhleboprodukt has since ignored all requests for payment, Romak's spokesman said.

'Not Happy With Award'

Gafta declined to confirm whether it had arbitrated on the case, saying it is against its code of privacy on such matters. The spokesman said that Romak had decided to accept the award made by Gafta, despite large damages incurred through the nonpayment.

"We are not happy with the award because we have suffered serious damages, but we will accept the award," he said.

According to Romak, the total amount due is actually around \$20 million, and increasing by around \$30,000 a day, due to penalties incurred under the contract.

Romak's spokesman said the Uzbek company has so far ignored the orders of the arbitration court, despite Uzbekistan being a signatory of the 1958 New York Convention on International Arbitration Awards.

According to Romak, Uzkhleboprodukt claims the Swiss-based firm participated in the initial contract with Odil and should therefore obtain payment from Odil, although that company is now bankrupt and has ceased to trade. Uzkhleboprodukt is also claiming the contract between Romak and Uzdon wasn't properly registered with the respective Uzbekistan authorities, Romak said.

Romak rejects both these claims, which it says were also overturned at the Gafta arbitration court.

The Uzbekistan authorities have refused to comment publicly on the matter, rejecting representations by Credit Suisse and Swiss diplomats in Tashkent.

Romak wouldn't comment on the actual form that fresh legal proceedings may take, saying only there are "various legal channels open."