

RPT:Uzbek Govt Denies Role In Grain Deal With Swiss Romak
By Steve McGrath and Paivi Munter

11/27/97
Dow Jones Commodities Service
(Copyright (c) 1997, Dow Jones & Company, Inc.)

LONDON (Dow Jones)—The argument between a Swiss-based commodity trading company and **Uzbekistan** took a new turn over the past week when both the government and the central bank of the central Asian country said they had no involvement in a disputed grain purchase.

The head of the central bank, in the U.S. late last week and early this week to promote investment in **Uzbekistan**, maintained that the Swiss house, Romak SA, had a deal with a private company and that the government and central bank have no obligation to make payment.

At issue is Romak SA's claim for \$10.5 million awarded by an arbitrator and a slightly larger amount in penalties and damages for 40,850 metric tons of Kazak milling wheat that it delivered to **Uzbekistan** in July and August of 1996.

Recent publicity about the case could also prove an embarrassment as **Uzbekistan** tries to attract foreign investment. Chase Manhattan barred Dow Jones from sending a reporter to the investment conference it sponsored at which the central banker made his comments.

Romak officials maintain the company had a deal with Uzdon, the foreign trading arm of Uzkhleboprodukt. It added that the Uzbek government owns 51% of Uzkhleboprodukt, an assertion that Uzbek officials as well as a Uzkhleboprodukt lawyer wouldn't confirm or deny.

The Swiss company maintains that the Uzbeks are using its wheat to cover up a deal that went wrong with a now defunct Uzbek company called Odil.

(MORE) DOW JONES COMMODITIES SERVICE 27-11-97

1438GMT

REPEAT:Uzbek/Romak-2:Romak Alleges \$8.1M Paid In Odil Deal

11/27/97
Dow Jones Commodities Service
(Copyright (c) 1997, Dow Jones & Company, Inc.)

In the view of Romak, what happened was that the Uzbek government authorized and the central bank made payment of \$8.1 million to Odil but didn't get any wheat.

Having got wheat from Romak under a different contract, the Uzbek government is trying to make it appear as though the Romak delivery was in fulfillment of the deal with Odil, the Swiss company alleged, adding that documents were falsified to say the Romak delivery had come from Odil.

Already having paid \$8.1 million to Odil, Uzbek officials then tried to find a way to avoid parting with the \$10.51 million agreed separately for the Romak delivery, according to the Swiss company.

Uzbekistan National Bank president, Rustam Azimov, speaking at the investment conference in the U.S. Friday, said the bank was only an observer in the loan. He said the government didn't guarantee payment by Uzdon and he added that Uzdon wasn't a state company.

However, Azimov and other Uzbek officials also say that Romak's dispute is with Odil, not Uzdon. This is rejected not only by the Swiss company but also by an arbitration panel that ruled in favor of Romak last summer.

Although Dow Jones was barred from attending the conference where Azimov spoke, there was no disagreement about what he said. Babur Mirhodzhaev, head of the contract department at the **Uzbekistan** National Bank, officials of Uzkhleboprodukt, and Romak all provided Dow Jones with the same report of Azimov's remarks.

Azimov said Uzdon hadn't participated in an arbitration procedure in August that ruled in favor of Romak, although documents provided by Romak contradict that statement.

The London-based Grain and Animal Feed Trade Association decided that Uzdon should pay Romak \$10.51 million. The association also specifically ruled that Odil wasn't part of the contract.

Romak also provided documents saying that the office of the Uzbek deputy prime minister backed Uzkhleboprodukt's deal with Romak.

(MORE) DOW JONES COMMODITIES SERVICE 27-11-97

1439GMT

REPEAT:Uzbek/Romak -3: Swiss Say Bill Is Now Over \$20 Mln

11/27/97

Dow Jones Commodities Service
(Copyright (c) 1997, Dow Jones & Company, Inc.)

With the bill still unpaid and rising about \$30,000 a day to what Romak said is now more than \$20 million, officials of the Swiss company maintain Uzkhleboprodukt, the owner of Uzdon, or the government should make the payment.

But Mirhodzhaev, at the **Uzbekistan** National Bank, said Uzkhleboprodukt is a limited company. He said the owners included the workers, but he said that he didn't think the state has a holding.

He added that the National Bank had 'almost' no role in the deal but declined to provide any detail, saying 'it's just not physically possible over the phone.'

'As far as I know, the National Bank isn't a party in the deal and according to international rules in a commodity transaction, the material side and the financial side of the deal are always separate,' he said. 'The bank is never liable for the material transaction.'

A lawyer at Uzkhleboprodukt said he was unable to give Dow Jones information about the company's ownership structure. The company's management was unavailable for comment.

Romak officials not only allege the Uzbek government owns 51% of Uzkhleboprodukt, but it offered documents saying the company is accountable to the Council of Ministers, which nominates the chairman of the board and his deputies.

The Swiss company said it is pursuing several legal alternatives in attempt to gain payment for the wheat, although it wouldn't disclose details of its plans.

-By Steve McGrath and Paivi Munter; 44-171-832-9081; smcgrath@ap.org
Back to Headlines [61013] Directory [23121]

(END) DOW JONES COMMODITIES SERVICE 27-11-97

1440GMT

Copyright © 1997 Dow Jones & Company, Inc. All Rights Reserved.