

# World/Nation

## OPEC agrees to cut output, raise per-barrel price to \$18

VIENNA, Austria (AP) — OPEC ministers ended nearly two weeks of tense discussions Monday with a formal agreement to limit production and pump prices back toward the cartel's benchmark of \$18 per barrel.

But before the day was out, one minister indicated his new quota was not official, causing prices to back off after a sharp run-up.

The accord, which ended the winter meeting of the Organization of Petroleum Exporting Countries, set output ceiling of 18.5 million barrels a day for the 13 OPEC members, well under the 22.5 million that analysts estimate the cartel is currently pumping.

The agreement also resolved a long issue in the talks by giving former combatants Iran and Iraq equal quotas of 2.64 million barrels a day.

After the agreement was announced, futures prices for West Texas Intermediate, a major U.S. oil standard, jumped as high as \$15.80 a barrel, up more than \$1.80 from its close last week on the New York Mercantile Exchange.

But prices slipped toward the end of the day after the oil minister of the United Arab Emirates said the output level set in the accord was not an official ceiling.

The price of West Texas Intermediate for January delivery still managed to settle up \$1.06 per barrel at \$15.03.

A pickup in crude prices — if it holds — could mean higher gasoline prices at the pump, although oil companies do not necessarily pass along the full increase.

Each one dollar rise in the price of crude oil theoretically means a pickup of 2.5 cents a gallon in retail gasoline prices.

The agreement takes effect Jan. 1 for six months. OPEC President Rilwanu Lukman of Nigeria predicted prices could reach \$18 a barrel "maybe by June."

"I wouldn't mind it tomorrow," he told a news conference, "but it's not possible."

He said that if the countries cut their production as required, prices will get a strong lift.

Saudi Arabia's oil minister, Hisham Nazer, predicted the accord will have a very positive effect on the oil market.

Indonesia's oil minister, Ginandjar Kartasasmita, predicted the \$18 mark could be reached by next winter.

"It's a victory for OPEC," Issam Abdul Raheem al-Chalabi, oil minister of Iraq, said.

Fereidoon Barkeshli, senior Iranian delegate, said, "I'm happy about it."

Iran, which until the agreement had vowed never to permit Iraq an equal quota, had a cap of 2.4 million under the cartel's previous agreement and Iraq, 1.5 million.

Iran retains its 14.27 percent share of total OPEC output under the new accord. Iraq has the same portion.

Other countries, however, lost a bit of their share to Iraq.

Saudi Arabia, the world's largest exporter, was given a 24.5 percent share of total output, compared to 26.2 percent previously. Its daily quota will be 4.52 million barrels, up from 4.34 million barrels.

The new agreement promises

steps will be taken to try to keep prices up and countries from cheating on their quotas. Past OPEC agreements have unraveled when the members cheated by exceeding their ceilings.

The statement by Mana Saeed Otaiba, the United Arab Emirates minister, hinted at early trouble with the agreement. But Paul Motok, an analyst at Salomon Brothers in New York, said the statement "shouldn't surprise anyone" because of the country's repeated overproduction in the past.

He said he expected the agreement to hold.

"There's going to be one main cheater (the United Arab Emirates)," he said.

## Pledge stretches Soviet grain trade with U.S. until '90

WASHINGTON (AP) — Soviet and American trade negotiators agreed Monday to extend through 1990 an agreement calling for the Soviet Union to buy at least 9 million metric tons of grain a year from the United States.

The 27-month extension signed in Moscow revived a five-year pact that expired Sept. 30 and appeared designed in part to synchronize the purchases with Soviet President Mikhail Gorbachev's blueprints to modernize agriculture.

"The extension will continue to stabilize grain trade between the two countries, benefiting American farmers," Agriculture Secretary Richard E. Lyng and U.S. Trade Representative Clayton K. Yeutter said in a joint statement.

Under the plan, the Soviets pledged to buy at least 4 million metric tons each of wheat and corn annually as well as 1 million metric tons of additional wheat, corn, soybeans and soybean meal, or any combination of those commodities. It also allows them to purchase up to 3 million metric tons of additional wheat and corn annually without further discussions.

A metric ton is equal to approximately 2,205 pounds.

A feature of the plan, also contained in the expired version, allows the Soviets to count two bushels of soybeans or soybean meal as one

bushel and thus round out their purchase obligation by buying 500,000 tons of those commodities rather than a million tons of wheat or corn.

Initial reaction from farm groups, which have been expecting something similar for more than a week, was positive.

"In general our impression is favorable," American Farm Bureau Federation spokesman Joe Fields said. "It's a continuation of what we had before, which worked fairly well."

Barry Jenkins, a spokesman for the National Association of Wheat Growers, said his understanding is that they are pleased that we have a new agreement.

He said, however, the extension was likely to affect wheat prices less than lingering problems caused by the drought and that markets mainly would be relieved to get some assurance that Soviet demand would remain undiminished.

Criticism of the deal, however, came from Rep. Dan Glickman, D-Kan., chairman of the House Agriculture subcommittee on wheat, soybeans and feed grains.

"We've done nothing more than maintain the current agreement," Glickman said in a statement. "This administration has driven down the price of grain in order to export more, but they don't seem to be able to close the deal."

## New prime rate marks highest level since '85

NEW YORK (AP) — Major U.S. banks boosted their prime lending rate a half percentage point Monday to 10.5 percent, the steepest level since mid-1985 and the fourth rise this year.

The increase will mean a jump in rates on a variety of consumer loans pegged to the prime, including home-equity loans. It also will raise borrowing costs for companies that rely on banks for financing.

Economists had been predicting a prime rate increase because interest rates in the bond markets rose recently due to inflation fears and the dollar's weakness in foreign exchange markets.

The financial markets had no major reaction to the announcement. Stock and bond prices were up modestly, while the dollar steadied against other major currencies.

"It comes as no surprise," said Edward Yardeni, chief economist for the investment firm Prudential-Bache Securities Inc. "In fact, they (banks) seem to have held back longer than I expected."

Federal Reserve Board Chairman Alan Greenspan also has warned of a higher short-term rates unless the government trims its huge budget deficit, the source of the dollar's woes.

"There's a building perception in the marketplace that the Fed is, in fact, tightening conditions," said William V. Sullivan, an economist for the investment firm Dean Witter Reynolds Inc.

Sullivan and other economists predicted the Fed might soon raise its discount rate, or the interest it charges on loans to member banks. If that happened, the prime rate could be increased again, they said.

"I'd look for something (from the Fed) in the next two weeks," Yardeni said.

Chase Manhattan was the first institution to increase its prime rate Monday, and other major banks quickly joined the move.

The prime stood at 8.5 percent at the start of the year and has been raised four times since.

## Britain, France ask U.S. to grant Arafat visa

UNITED NATIONS (AP) — If the United States doesn't reverse itself in 48 hours and grant PLO chief Yasser Arafat a visa so he can address the General Assembly, the body will convene in Geneva to hear him, Arab nations said Monday.

"We have a message of peace that we want to bring to the General Assembly through Chairman Arafat," said Zuhdi Labib Terzi, U.N. observer for the Palestine Liberation Organization.

The United States is imposing some obstacles that would impede easy access, so we have to do it somewhere else," he told reporters.

The U.S. decision to deny Arafat a visa, met Monday and decided that a planned session on the Middle East should be moved to Geneva, probably in December.

Diplomatic sources said the nations had agreed they would first call on the General Assembly to condemn the U.S. move and appeal to Washington to reconsider. U.S. officials in Washington have said the visa decision is irreversible.

Arab League Ambassador Clovis Maksoud told a news conference that "if . . . in 24, 36 or 48 hours at the latest, if there is no reversal, we will have no option but to go to a country which respects its obligations to the United Nations."

Also Monday, the U.N. Committee on Relations with the Host Country met to hear complaints from Arab nations and other countries such as Britain, France, China, and the Soviet Union against the U.S. move. Britain and France were among those urging the United States to reconsider.

On Saturday, Secretary of State George Shultz denied Arafat's request for a visa on the grounds the PLO chief has condoned acts of terrorism.

Under a 1947 Headquarters Treaty with the United Nations, the United States is not to impede the

transit or work of U.N. diplomats or guests. It may, however, deny visas on grounds of national security.

Arafat called the U.S. move "a sheer violation of the international law and the U.N. charter" and claimed Washington was ignoring international backing for the independent state of Palestine, proclaimed earlier this month by the Palestine National Council, the PLO's parliament-in-exile.

"Why are they afraid that I speak to world public opinion and explain the new Palestinian decisions?" Arafat said to reporters in Baghdad, Iraq.

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