

Western oil cos threaten to pull out of Russia

MOSCOW, Nov 28: Several major Western oil companies warned Friday they would reduce their operations in Russia because taxes are too high, a news report said, reports AP. Viktor Mashinsky, deputy chair of parliament's economic policy committee, said after a meeting with Western oil executives that the companies were planning to suspend their operations in Russia pending revision of the tax system...

Russia plans tax cuts to kickstart economy

In an attempt to kickstart the economy, the Russian government has announced a two-tiered plan to cut taxes and curb tax evasion. It is a bold gamble to raise more revenue despite a looming budget deficit that the IMF says amounts to 8% of the country's total GDP. But critics say it is bound to trigger a further inflationary spiral in Russia as the gap between tax receipts and spending grows ever larger.

The prime minister added that VAT would be cut to 10% in 2000. High tax rates Tax collection has been a major problem for the government, and critics have accused the government of encouraging tax cheating by setting rates too high. As a result, the government has lacked money to pay wages, provide services and repay its debts. But the radical measures have infuriated Finance Minister Mikhail Zadornov. A finance ministry official said the VAT cut would lead to a drop in revenues of 77bn roubles, which he said was an optimistic forecast.

Analysts were sceptical about how much of a solution any clampdown on tax can be. Tom Adshhead, co-head of research at United Financial group, said: "In Russia, they don't enforce taxation and that is the problem. This really throws into sharp relief the need to enforce taxes and that means bankrupting companies which don't pay." Growing deficit The Russian government's own forecast for 1999 suggests that the government will spend 600bn roubles (\$33bn) while only taking in 480bn roubles (\$26bn) in taxes. They claim that stripping out debt payments to foreigners leaves the budget with a 2% surplus. But that assumes that the IMF and other lenders come up with some \$15bn (268bn roubles) in debt relief. The IMF has expressed scepticism about this accounting. Without Western assistance, tax receipts would only amount to around one-third of total spending. The budget deficit has been soaring since the financial crisis began. Central bank chairman Viktor Gerashchenko said that the

Oil teeters on the edge as OPEC bickers

LONDON, Nov 27 - World oil prices hovered precariously over a precipice on Friday after a Vienna OPEC meeting aimed at rescuing depressed markets crashed and burned. Oil analysts and dealers were quick to downgrade price forecasts after the fractious oil cartel fled a failed two-day Vienna meeting marred by bitter squabbling. OPEC ministers failed to extend existing output cuts and instead postponed any decision on production policy until next March. "In March we will decide what to do," said OPEC Secretary General Riwan Lukman after the meeting ended. "If they hadn't met it might have been better," said Christopher Bellew of Prudential Bache International in London. "This has knocked the bottom out of the market. I have this horrible feeling we could be getting into single digit prices for a while," said Mehdi Varzi of Dresdner Kleinwort Benson. World benchmark Brent crude oil futures had clawed back 4 cents at 1247 GMT on Friday to stand at \$11.04 a barrel. On Wednesday prices fell to \$10.65 a barrel, the lowest level for crude since 1986. Adjusted for inflation, prices are at 25-year lows. Brent crude oil has averaged less than \$13.70 a barrel so far this year, its lowest average level since 1976. And the price of Brent on world futures markets averages out to around \$12.70 for 1999. The \$1 drop already priced into the market is probably "on the high side," said Nigel Saperia of Bankers Trust International. OPEC members have suffered a drop in revenue of about a third this year compared to 1997 and have been struggling to maintain cohesion and compliance with output quotas as oil prices dropped. Oil analysts say the decision to put off tough decisions on output until March may backfire on the aging cartel. Geoff Pyne, oil analyst at Warburg Dillon Reed said "it will be a difficult period between now and then". He said OPEC would need to cut another 1.5 million barrels per day (bpd) in March to lift prices above current levels. The group pledged to trim 2.6 million bpd or some 10 percent of output earlier this year, but several cash-strapped countries have been cheating, according to independent monitors. Pyne said the decision to postpone until March might just have a silver lining. OPEC tends to work better when cornered, he said, adding "OPEC is a crisis management club rather than a market managing organisation". A cold winter in Western consuming nations might help OPEC bridge a price precipice until March, but oil traders see strong downward pressure building up next spring due to bloated oil storage tanks. Oil price contango, where prompt oil costs less than forward deliveries, has encouraged stock building. Sluggish demand due to the faltering global economy has also kept oil tanks brimming. Oil stocks next summer may hit 500 million barrels more than a low point in 1997 when "just-in-time" stock management and price backwardation — Reuters Internet

Asian inflation to drop next year: ADB

MANILA, Nov 28: Consumer prices in developing Asia are seen to drop next year after rising sharply in 1998, the Asian Development Bank (ADB) said in a report released here Friday, reports AFP. A bank report forecast the average inflation rate in the region to ease to 4.6 per cent in 1999 after surging to 7.3 per cent this year. It said inflation averaged 4.3 per cent in 1997. "If exchange rates stabilise as expected in 1999, inflation in the region should drop," the report said. Among the newly industrialising economies in Asia, inflation should ease to 2.6 per cent from a projected 5.2 per cent this year, it said. Chinese consumer prices should rise three per cent in 1999 from zero inflation this year, while the Central Asian Republics should see inflation rising to 19 per cent from 15.3 per cent. Southeast Asian inflation would ease to 8.2 per cent from 28.8 per cent. South Asia would be virtually unchanged at 7.5 per cent from 7.6 per cent this year, and the Pacific islands inflation should be around 8.0 per cent from a projected 8.3 per cent this year.



Alitalia's Director Domenico Cempella (left) talks during a press conference in Amsterdam Friday accompanied by KLM President Leo van Wijk, after Alitalia signed an agreement with KLM Royal Dutch Airlines launching long-term alliance including cargo and passenger joint ventures.

KLM, Alitalia form alliance

The national airlines of the Netherlands and Italy, KLM and Alitalia, have outlined their plans for a "master co-operation agreement" to link up their cargo and passenger operations. The companies will create two joint ventures and share revenues. 'One ticket to the world' The tie-up will be centered around the airlines' main hubs in Amsterdam, Milan and Rome. The alliance will carry the slogan "The Alitalia-KLM Alliance: One Ticket to the World" and focus on co-ordinating both networks to minimise transfer times between flights. Alitalia and KLM say that together they will serve more than 400 destinations in over 80 countries, in a move that will benefit both their customers and their revenues. KLM's chairman Leo van Wijk estimates that the passenger joint venture will generate \$380m in added value over three years and \$65m for the air freight business. KLM and Alitalia frequent flyer programmes will earn airlines on both networks. US connection The alliance will concentrate on developing the two companies' European market share and will complement KLM's alliance with US-based Northwest airlines. Alitalia will join their transatlantic co-operation. However, the deal is not a merger and does not involve a share swap. Furthermore, both sides have many escape clauses. The co-operation agreement will be terminated if a third party acquires a controlling stake in either airline. It is also dependent on Alitalia being fully privatised by 30 June 2000. Both airlines said in December 1997 that they would develop an alliance. The long delay in announcing details made industry experts doubt whether KLM and Alitalia would ever reach a deal. Alitalia's chief executive Domenico Cempella said "one can now say that KLM and Alitalia are play acting". The delay was partly blamed on drawn-out negotiations between Italy and the United States over a "conditional open skies" deal, which regulates the mutual access to landing slots in both countries. — BBC Internet

Japanese, L American crises to deepen this year: IMF

MANILA, Nov 28: Japan's economy is expected to sink deeper into recession than forecast this year with no growth expected for 1999, an International Monetary Fund (IMF) official said here Friday, reports AFP. Latin America could also fare worse than previously forecast in the previous IMF edition of the World Economic Outlook released in September, said David Nellor, Assistant IMF Regional Director for Asia and the Pacific. "We are now projecting Japan will have negative growth of about three per cent this year," compared to the earlier IMF forecast of 2.5 per cent contraction in its gross domestic product (GDP), he told an international economic conference here. Tokyo's GDP would be "perhaps zero next year, but that would depend on policy, particularly the fiscal policy measures," that would be undertaken by Prime Minister Keizo Obuchi's government, he added. The previous forecast was 0.5 per cent GDP growth for Japan next year. Nellor also said there could be "negative effects on the 1998 and 1999 numbers" as well for Latin America, "where growth prospects are somewhat weaker than they were when these numbers were put together." The IMF in September forecast 2.8 per cent growth for Latin America this year and 2.7 per cent next year. Nellor gave no new figures. "On the positive side, I wouldn't be surprised to see some increase in our projections for China," he added. The Manila-based Asian Development Bank (ADB) issued a report at the conference which said China will lead developing Asia's growth with a 6.5 per cent GDP expansion this year and 6.0 per cent next year, no comparable data from the IMF were provided. Nellor said that overall, "there could be some modest changes in these numbers but I think the fact they are modest also suggests that they were coming to a point in time where things are stabilising somewhat." He said he was positive that "we've improved somewhat" from the situation in the summer, when the Japanese yen was reeling, Russia defaulted on foreign obligations and the US credit system seized up temporarily following the rescue of troubled hedge fund long term capital management. "The US credit crunch has since eased somewhat, the yen strengthened to help other Asian currencies and there was 'some resumption of some international capital flows to emerging markets which had dried up totally.'" He also cited Japan's moves to resolve the bad debt overhang of its banking system and an IMF reform package for Brazil which had been threatened with the Asian contagion. "The downward risks are somewhat less than they were at the time," Nellor added.

Exxon, Mobil in largest merger talks

NEW YORK, Nov 27: Shares of Exxon Corp. and Mobil Corp. shot up Friday morning after the oil giants confirmed merger talks are underway, adding credence to speculation that the blockbuster combination may materialize early next year. Negotiations between the companies - the two largest energy concerns, and Mobil, the second-largest U.S. oil and gas company to create the world's largest oil concern with a market capitalization of more than \$236 billion. Exxon has a market capitalization of \$176 billion; Mobil's market cap is more than \$60 billion. Oil glut forcing firms to merge The merger talks come as oil companies are facing increased pressure to cut costs and streamline operations in the face of a worldwide crude oil glut that has pushed prices to their lowest levels in 12 years. Mobil earlier this month announced plans to cut costs by \$500 million for 1999. Other companies, including Exxon, Texaco Inc. (TXI) and Chevron Corp. (CHV) have also announced cost-cutting measures. In October, Atlantic Richfield Co. (ARC), the nation's seventh-largest oil company, said it would lay off 900 employees and close some overseas offices to reduce costs by \$500 million over the next two years. The Financial Times reported in its Thursday edition that the deal would likely be an all-stock transaction. The deal would amount to the largest industrial merger, exceeding the \$48-billion deal in August struck by British Petroleum Plc (BP) and Amoco Corp. (AN). — CNN Internet

Shares of Exxon (XON) ended up 1-3/4 at 74-7/16 on the New York Stock Exchange, while shares of Mobil closed up 7-1/16 at 85-7/16 on the Big Board. The deal would combine Exxon, the world's largest energy concern, and Mobil, the second-largest U.S. oil and gas company to create the world's largest oil concern with a market capitalization of more than \$236 billion. Exxon has a market capitalization of \$176 billion; Mobil's market cap is more than \$60 billion. Oil glut forcing firms to merge The merger talks come as oil companies are facing increased pressure to cut costs and streamline operations in the face of a worldwide crude oil glut that has pushed prices to their lowest levels in 12 years. Mobil earlier this month announced plans to cut costs by \$500 million for 1999. Other companies, including Exxon, Texaco Inc. (TXI) and Chevron Corp. (CHV) have also announced cost-cutting measures. In October, Atlantic Richfield Co. (ARC), the nation's seventh-largest oil company, said it would lay off 900 employees and close some overseas offices to reduce costs by \$500 million over the next two years. The Financial Times reported in its Thursday edition that the deal would likely be an all-stock transaction. The deal would amount to the largest industrial merger, exceeding the \$48-billion deal in August struck by British Petroleum Plc (BP) and Amoco Corp. (AN). — CNN Internet

Workshop on Asia-Pacific commodities begins today

A four-day workshop on "Commodity Development in Asia and the Pacific Region" begins here at Hotel Sheraton at 9:30 am on Monday, reports UNB. The Amsterdam-based Common Fund for Commodities has organised the workshop in collaboration with the Ministry of Commerce and the International Jute Organisation (IJO). Commerce and Industries Minister Tofail Ahmed will address the inaugural session, to be attended by Managing Director of the Common Trust for Commodities Dr. Rolf Boehnke, Commerce Secretary Sayed Alamgir Farrouk Chowdhury and IJO Director and Officer-in-Charge Henri L. Jason. About 200 participants from over 23 countries, representing a broad range of professions, including commodity producers, traders, processors, financiers, professional associations, government policy makers, international banks and R&D and higher educational institutions, are expected to join the workshop. The 4-day workshop will discuss development issues associated with the production and trade of agricultural and mineral commodities of importance to the Asian and Pacific countries, said a IJO press release. The meeting will also identify support measures for alleviating the commodity development problems particularly with regard to the poorer strata of the population.

European Central Bank seeks independence

The President of the new European Central Bank (ECB) has warned against political interference if the bank is to succeed in keeping a lid on European inflation. Wim Duisenberg will be in charge of setting interest rates across the new euro zone when monetary union begins on 1 January 1999. Despite the economic downturn, Mr Duisenberg said conditions were still in place for a successful launch of the first wave of the new single currency. He also said that there was a limit to the role the ECB could play in reducing unemployment in the EU.

look may be less favourable than expected, let us say, half a year ago, I believe that the conditions for a successful launch of the euro are in place." he said. His comments follow remarks by Brussels economics commissioner Yves-Thibault de Silguy who warned on Thursday that it would be "madness" to abandon sound finances to create jobs. The commissioner's remarks were seen as a rebuke to the German and French governments which have been pressing for high-spending job creation programmes to tackle EU unemployment. Unemployment concerns Dr Duisenberg said he shared the deep concerns about the "unacceptably high" level of unemployment in Europe and said the ECB would do what it could to help. "By maintaining price stability, inflation expectations and interest rates can be kept at a low level," he said. "This creates a stability-oriented environment which fosters sustainable growth, a high level of employment, a fair society and better living standards." Moreover... If production, inflation and employment all move in the same direction, monetary policy can play some role in stabilising output and employment growth without endangering price stability. But he said the role of the ECB could only be limited and the main solution lay in structural reforms to the labour and product markets. — BBC Internet

Pakistan to export 500,000 MT of sugar this yr KARACHI, Nov 28: Pakistan will export 500,000 tonnes of sugar from the surplus estimated at more than one million tonnes this year, industry sources said, reports AFP. Pakistan, harvesting a bumper crop of more than 53 million tonnes of sugarcane this year, is expected to produce 3.9 million tonnes of sugar, up 25 per cent over the production last year. The country has exported 550,000 tonnes of sugar to India, Canada, the United Arab Emirates, and some African and Gulf countries.

Manila won't block Cambodia's entry into ASEAN

MANILA, Nov 28: The Philippines will not block Cambodia's entry into the regional group, Association of Southeast Asian Nations, but will not push for it either, a senior Philippine official said Saturday, reports AP. Foreign Undersecretary Lauro Baja said the Philippines will not oppose a consensus among ASEAN members to take in Cambodia. ASEAN includes Brunei, Indonesia, Laos, Myanmar, Malaysia, the Philippines, Singapore, Thailand and Vietnam. But the Philippines, like Thailand, will not push for it because a coalition government has not yet been formed in Cambodia, Baja said. "As of now, there is no coalition government. We will not stand in the way if there is a consensus," Baja said. Philippine Foreign Secretary Domingo Siazon said last week it was unlikely that Cambodia would become a member in time for the ASEAN summit in Vietnam on December 15-16. Cambodia's entry into ASEAN was postponed last year following Premier Hun Sen's ouster of Norodom Ranariddh as his co-premier in a violent coup. A resolution of the crisis and the formation of a viable government were set as preconditions before ASEAN would consider admitting Cambodia as its 10th member. Baja said Cambodia's membership depends heavily on Vietnam, this year's summit host, and Singapore, the chairman of the ASEAN standing committee. He did not elaborate.

Metal: Weekly Roundup Gold stable, silver tarnished

LONDON, Nov 28: Gold prices were stable this week in moribund trading due to the shutdown in US markets for the Thanksgiving holiday weekend, with traders cautious and steering away from long positions. On the London billion market, gold closed at 296 dollars an ounce, unchanged from last week. Japanese imports in October rose sharply to 19.93 tonnes from 8.12 tonnes in September and 8.12 tonnes in October 1997. Total imports over the year, however, are only 66.33 tonnes, compared to 100.68 tonnes at the same time the previous year. SILVER: Tarnished. Silver prices fell on a new rise in New York Comex market reserves and technical factors. On the London billion market, silver fell nine cents over the week to 4.92 dollars an ounce. COPPER: Lighter. Three-month copper rose a slight three dollars to 1,590.5 dollars a tonne on technical factors and firm industrial demand, despite a huge 16,900 tonnes increase in LME warehouse stocks to 504,025 tonnes. According to the Chilean Copper Commission, 2.69 million tonnes of copper were produced there in the first nine months of the year, up 7.3 per cent on last year at the same time. Chinese imports in the first nine months this year rose 25.1 per cent from last year to 659,585 tonnes. LEAD: Heavy. Lead prices fell below the 500 dollars barrier, despite a fall in warehouse reserves of 1,925 tonnes to

105,650 tonnes, in very light trading due to the absence of US traders on the Thanksgiving holiday. Three-month copper fell nine dollars to 497.50 dollars a tonne. PALLADIUM AND PLATINUM: Sold. Prices for both metals fell sharply on profit-taking after last week's price increases and despite a stronger yen giving Asian investors greater buying power. Some traders said that Russia said 250,000 ounces of palladium this week, with demand easily meeting supply. Trading was cautious, however, in the absence of US investors over the long Thanksgiving holiday weekend. ALUMINIUM: Stable. Aluminium prices remained stable despite mounting official reserves at the London Metal Exchange warehouses. Three-month aluminium ended the week 10.20 dollars lower at 1,000 dollars a tonne, while LME warehouse stocks rose 22,700 tonnes to 533,750 tonnes. Prices were supported by good industrial demand, but trading was quiet due to the absence of US investors at the Thanksgiving holiday weekend. NICKEL: Dull. Three-month nickel prices fell 90 dollars to 4,167.50 dollars a tonne this week in response to a 606 tonnes rise in LME stocks to 62,130 tonnes. The Russian government, meanwhile, may decide to limit scrap exports with taxes, an official said. The market did not react, largely because of the absence of Japanese investors early in the week and US investors at the end. ZINC: Shine. Zinc prices rose this week thanks to a new fall in LME warehouse reserves, down 1,625 tonnes to 329,850 tonnes, and despite the light trading caused by the absence of US traders. Three-month zinc closed at 1,006.50 dollars a tonne, up 22 dollars. TIN: Beaten. Tin prices sank this week on speculative selling and a technical correction at the end of the week. Three-month tin fell 102.5 dollars to 5,342.50 dollars a tonne, hit by a 285 tonnes increase in LME stocks to 7,675 tonnes.

ICC workshop on Y2K bug in city Dec 7

International Chamber of Commerce, Bangladesh will hold a workshop on 'Impact of the Millennium Bug on International Business and Commerce' in Dhaka on December 7, reports UNB. The workshop is intended to create the millennium bug alert in different government, banking, insurance, trading and communication wherein the problem is presumably not sufficiently addressed as yet. Leading experts from software development, legal and financial sectors and international agencies will act as moderators at the workshop, said a press release of ICC.