

Five-day workshop begins in Kathmandu

NAFTA experience under study to launch SAFTA

KATHMANDU, Dec 1: Economic experts, government officials and representatives of the private sector from South Asia began a workshop here today on the North American Free Trade Area (NAFTA) and the creation of a free trade area in South Asia, reports Xinhua.

Addressing the workshop on

NAFTA and SAFTA (South Asian Free Trade Area) at the Kathmandu-based Secretariat of the South Asian Association for Regional Cooperation (SAARC), SAARC Secretary General Naeem U Hasan said that during recent years, it has been a conscious policy of the SAARC to promote fruitful cooperation with other organisations outside the SAARC region.

The

five-day workshop has

been jointly organised by the

SAARC Secretariat and the

Canadian International Development Agency. It is the first of a series of initiatives that the

two organisations have undertaken under a memorandum of understanding they signed in July 1997.

The SAARC originally decided to launch the SAFTA by 2001, but its leaders deferred the deadline indefinitely at their 10th summit in July this year.

"We in SAARC are keen to know and learn from the NAFTA experience as indeed the experience of other comparable regional arrangements about how the progress toward a free trade regime could be ensured by promoting cooperation in an open and convergent manner taking into account varied expectations of economies with different sizes and strengths," Hasan said.

He said his organisation hopes to learn as well the practical steps necessary to overcome anticipated problems in implementing specific trade

liberalising measures and policy mixes necessary from the outset to avoid future encumbrances.

"We also realise that for many of our countries supply side constraints and other structural and procedural impediments constitute a major constraint," he added.

He held that the other thing relevant for SAFTA is that NAFTA has a very big country (the United States), a small country (Canada) and a rather poor country (Mexico).

In SAARC, we also have big countries and small countries. To that extent, there is a relevance of how all of them in NAFTA are able to profit equally from the free trade area, this is what we're hoping to do in South Asia," he noted.

Experts from Canada are expected to make the main presentations at the workshop attended by representatives from the SAARC member nations — Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

The Secretary General said that whether it is NAFTA or SAFTA or AFTA (ASEAN Free Trade Area), the issues of free trade area are the same.

Russian GDP shrinks 40pc in 7 years

MOSCOW, Dec 1: Russia recorded a 39.6 per cent drop in gross domestic product (GDP) for the period from 1991-1998, the Russian State Statistics Committee and Ministry of Economy said, reports Xinhua.

The Interfax news agency quoted the official figures as saying that the Russian GDP contracted by 14.5 per cent in 1992, 8.7 per cent in 1993, 12.7 per cent in 1994, 4.1 per cent in 1995, and 3.5 per cent in 1996.

In 1997, a slight growth of 0.8 per cent occurred, but was followed by a 3 per cent drop in the first nine months of 1998.

The GDP was down 38.3 per cent from 1991 to October 1, 1998 Interfax said.

The ministry of economy expects the GDP to fall faster in the fourth quarter of 1998 and be down about 5 per cent for the year.

Dow Jones drops 217 points on profit taking

NEW YORK, Dec 1: The Dow Jones industrial average dropped 216.53 points, or 2.32 per cent, to 9,116.55 on profit taking yesterday particularly in the technology, internet and finance sectors, reports AFP.

The Nasdaq Composite Index shed 3.32 per cent, or 66.90 points and the standard and poor's 500, fell 28.70 points for a loss of 2.40 per cent.

"Profit taking sent stocks lower right from the opening bell," said Hildegard Zagorski of Prudential Securities, noting that the same thing had happened in Europe and Asia earlier.

Volume stood at 691 million shares traded with 1,070 issues gaining, 2,044 declining and 416 unchanged.

"Computer stocks such a dell, led the market lower on concern that their share prices are too high given the outlook for earnings," Zagorski said.

"There is still a lot of worry that earnings cannot keep pace with prices as the market approaches record levels."

On the Nasdaq Dell Computer lost three dollars to 60-13/16 while Sun Microsystems, dropped 6-5/16 to 74-1/16. Cisco Systems 4-5/8 to 75-3/8. Microsoft 6-1/16 to 122 dollars and Intel 2-3/8 to 107-5/8.

On Wall Street, IBM lost 4-7/8 to 165-1/8 and Compaq 1-9/16 to 32-1/2.

Pharmaceutical shares also fell after a deal between the French firm Rhone-Poulenc and Germany's Hoechst left investors concerned that drug companies will face increased competition after the accord.

Merck dropped 3-15/16 to 154-7/8. Pfizer 3-5/16 to 111-5/8 and American home products 11/16 to 53-1/4, share of Rhone Poulenc on All Street themselves lost 1-3/16 to 50 dollars, as well as those of Hoechst 2-5/8 to 42 dollars.

World economy facing risk of recession: Soros

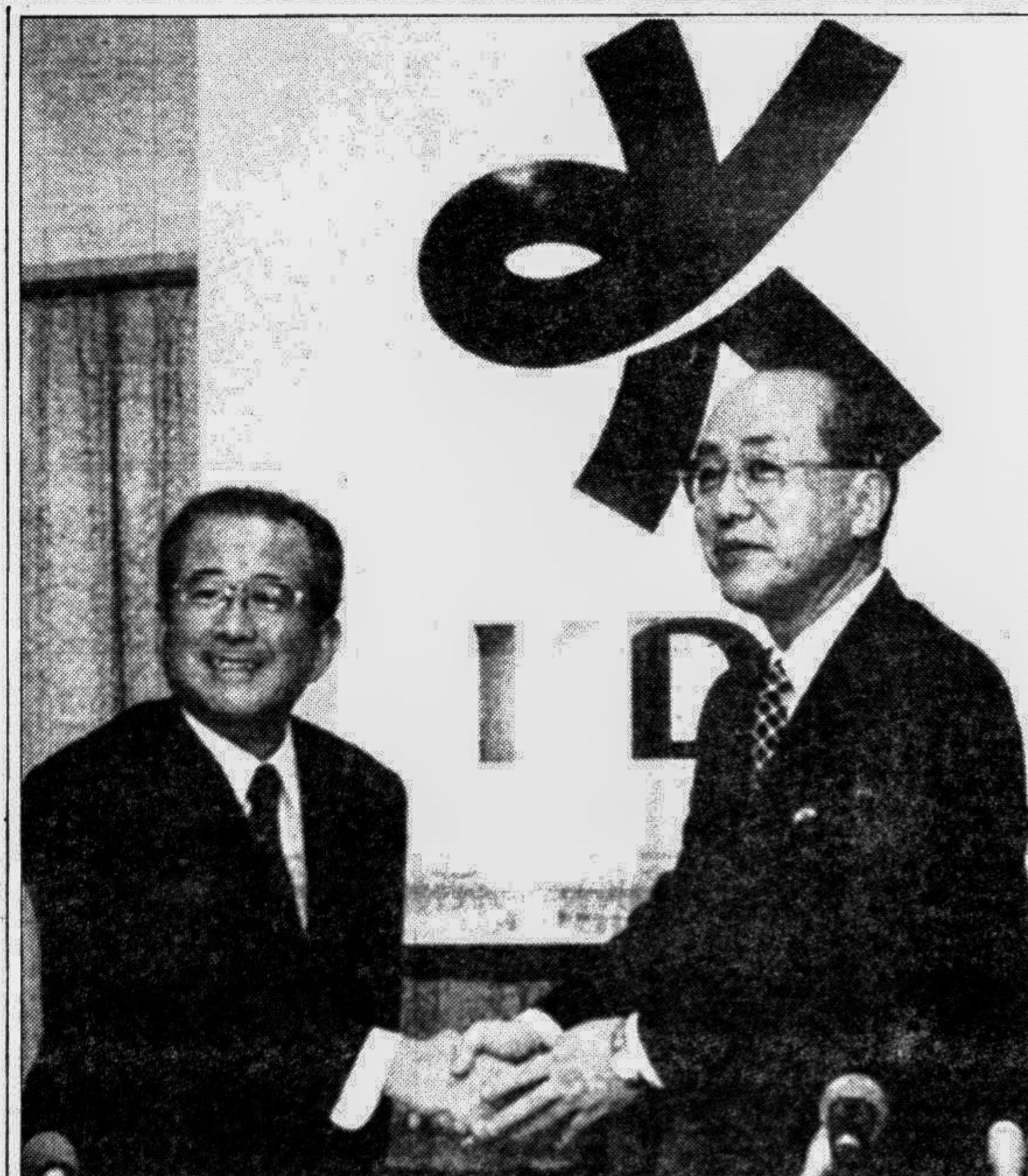
NEW YORK, Dec 1: US billionnaire financier George Soros warned that the global economy is facing the risk of recession in the next couple of years despite the current stock market revival, said a report in the Newsweek magazine, reports Xinhua.

The US stock market is expected to retest previous lows probably next year despite the current record highs in the wake of three rounds of interest cuts by the US Federal Reserve since September 29, he told the December 7 issue of Newsweek.

The US economy is amid a "fairly mature boom" and faces growing cost pressures while Japan is still in recession and Brazil may follow suit, although it has received an aid package of 41.5 billion US dollars, he said.

Under the situation, the global economy "is liable to slip into a recession next year or the year after," he asserted.

Soros made a fortune in previous years through his fund management business. As the Asian financial crisis has been spreading, his 20 billion dollar quantum group of hedge funds has suffered losses this year, like many other hedge funds have.



KDD President Tadashi Nishimoto (left) and Teleway Japan Corp Vice President Shinji Sakai shake hands in front of KDD's new logo in Tokyo on Monday on the eve of their merger. The merger, announced in November last year, will combine KDD's international phone business with domestic long-distance business by Teleway, a telecommunication unit of Toyota Motor Corp.

— AP/UNB photo

Indian industry, finance fear political uncertainty

BOMBAY, Dec 1: Indian financial analysts and industrialists voiced concern yesterday at the economic impact of political uncertainty looming from the ruling Hindu nationalists' defeat in key state elections, reports AFP.

The humiliating electoral rout of Prime Minister Atal Behari Vajpayee's Bharatiya Janata Party (BJP, Indian people's party) has sparked speculation of a fresh general election, just eight months after the last.

"If this instability continues and we go for mid-term polls, it will be a major step back for the economy," said Devesh Kumar, at foreign brokerage ABN Amro Equities.

"Decision making will slow down and investor sentiment will take another hit," he warned.

The multi-party, BJP-led ruling coalition, representing a host of vested and often diamet-

rically opposed interests, has been repeatedly faulted for its economic decision-making since coming to power in March.

The electoral backlash against the BJP in Wednesday's elections to four state assemblies was widely viewed as a vote of no-confidence in the federal government.

The 30-share Bombay Stock Exchange sensitive index plunged 1.5 per cent within minutes of opening Monday, and although it later climbed back on trader-led buying to close up 27.03, or almost one per cent, analysts warned that the mood was extremely bearish.

"The bounce-back is on purely technical considerations. It has no underlying strength as the sentiment is very, very weak. The index will fall again," said broker Gaurav Sanghi.

India has had four govern-

ments and two general elections since early 1996, resulting in confused foreign and economic policies and contributing to a two-year economic slowdown.

Vajpayee's coalition government came to power in March promising stability and economic revival, but has been unable to deliver on the promise.

Foreign portfolio investments worth 400 million dollars have been pulled out of India so far this year, and analysts said fund managers would be unwilling to commit fresh money to India in 1999 if instability continued.

"The poll results are very, very negative," said venture capitalist Pradip Shah.

"They have worsened investor sentiment and heightened uncertainty about the efficacy and the longevity of the Vajpayee government."

'Crisis makes most Asian economies transparent'

SINGAPORE, Dec 1: Asia's economic crisis has resulted in greater transparency for most Asian economies, the Hong Kong-based Political and Economic Risk Consultancy (PERC) said, reports Reuters.

"The crisis probably has a lot to do with this improvement," PERC said in its latest "Asia Intelligence" fortnightly.

"The situation in Asia might well be very unpleasant, but at least companies and individuals have a much more accurate understanding of what the real situation is," it said.

Indonesia, Malaysia and Thailand were the exceptions to the general improvement, scoring worse this year than in 1997 in a PERC survey.

The survey was based on responses from 834 business executives in Asia, using a scale of zero to 10 with zero representing the best case or a very transparent environment.

Hong Kong, Singapore and Taiwan respectively had better-than-average levels of transparency, the report said, with Hong Kong scoring the best at 2.82.

Five represented an average level internationally, PERC said.

"What is perhaps most amazing about the situation leading up to the crisis in Asia was not the lack of transparency but the willingness of foreign investors, particularly fund man-

agers, to discount the risks inherent in such an environment," PERC said.

However, lack of transparency remained and "one has to be concerned about potential blow ups in the future and the implications this could have," the report said.

PERC said China was the one Asian market still not caught out in the crisis, but the lack of transparency could cause serious problems.

"As in the cases of the troubled Asian economies, it is all but impossible to say what the accurate situation really is, but it is easy to spot where transparency is lacking to such an extent as to be highly worrying," PERC said of China.

Oil prices fall to historic lows

LONDON, Dec 1: World oil markets broke records again yesterday as benchmark Brent marked historic lows in London and light crude in New York touched levels not seen for 12 years, reports Xinhua.

In London, Brent crashed to

10.08 dollars a barrel at one stage the lowest price ever recorded on the international petroleum exchange, before a mild bounce brought Brent back from the brink to close 66 cents down at 10.48 dollars a barrel.

Adjusted for inflation, prices are now at 25-year lows.

Bulging oil inventories, a mild winter and a divided OPEC could push prices even lower with no immediate reversal in the price slump in sight, analysts said.

Last week, OPEC ministers met but shied away from taking any action to rescue prices. Bitter rivalries between members — most notably Saudi Arabia, Venezuela and Iran — have divided the once powerful cartel, according to Reuters.

OPEC's 11 members meet again in March to consider options that may include increasing production cuts, which now stand at 2.6 million BPD.

Further weighing on the market is the fact that Iraqi exports are likely to resume shortly as oil traders have started to fix vessels to load crude after Baghdad agreed to a fifth round of "oil-for-food" deal.

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Supportive measures in Vienna last week, according to a Reuters report.

New York selling, which had triggered the precipitous fall in London, took the front month contract under 11 dollars, mild short covering there too scooped the contract back from calamity to 11.23 dollars a barrel — but still over 60 cents lower in the day.

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