

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

He said the workshop focuses, among others, on recent evolutions in the world trading system, relevance of regional trade arrangements for developing countries, recent evolution in the norms and disciplines of the World Trade Organisation (WTO) on regional trade arrangements as well as the NAFTA experience and its relevance for the SAARC member states.

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

"What we're going to see is what are the issues involved in the free trade area how you draft the treaty, what are the elements, what are the issues which come up, he told Xinhua.

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 members nations — Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

## 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.

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.

Dealers said the price slump in New York was largely in reaction to OPEC's (Organization of Petroleum Exporting Countries) failure to take any price. Supportive measures in Vienna last week, according to a Reuters report.

The slide on futures also took dated Brent's "physical" value below 10 dollars a barrel for the first time in 12 years, dated Brent prices are looming ever closer to the July 1986 all-time low of a 8.75 dollars.

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.

## Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to clients.

Currency	Selling TT & OD	Buying TT & Clean	Selling BC	Buying OD	Buying TT & OD
USD	48.7050	48.7450	48.3100	48.1570	48.0850
GBP	80.5776	79.4168	80.6437	79.1653	79.0469
DEM	28.8879	28.4780	28.9116	28.3878	28.3453
JPY	0.3987	0.3921	0.3990	0.3909	0.3903
FRF	6.6637	6.4124	6.6709	6.3858	6.3732
SAR	13.0210	12.8460	13.0317	12.8053	12.7862
MYR	12.4497	12.3457	12.4610	12.2562	12.2655
AED	13.2972	13.1167	13.3061	13.0751	13.0556
KWD	166.0586	153.9516	166.1950	153.4640	153.2345
QAR	13.4229	13.2356	13.4339	13.1937	13.1740

Bill buying rates:

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
48.2112	47.9074	47.5048	47.1023	46.6987	46.2945

US Dollar London Interbank Offered Rate (LIBOR) as of December 1, 1998

	Buying	Selling	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
Cash	48.0850	48.7050	USD	5.82	5.28	5.16	5.12	5.09
TC	48.0850	48.7050	GBP	7.00	6.88	6.68	6.50	6.40

Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
42.50/42.60	53.75/53.85	36.00/36.05	3.8000/3.8002	7450/7500	1243/1246

Amex notes on Tuesday's market

The USD/BDT market remains stagnant despite the sale of USD picking up a little. Most of the transactions were done in the 48.6500-48.6525 level.

The call market was active today. The call rates fell slightly to the 8.10-8.50%.

A mix of probable European rate cuts, pessimism over the Japanese economy and natural year-end flows towards the dollar will allow the US currency to make limited gains before the end of the year, analysts said.

The dollar struck 2-1/2 month highs against the mark on Friday and 2-1/2 week peaks against the yen on Monday, but then fell to 12-day lows against the mark on Tuesday, sinking under the weight of a 2.3 per cent fall in the Dow Jones industrial average.

The dollar was trading at 1.6866/71 at 1102 GMT, nearly three pennings below Friday's highs. Against the yen, the dollar traded at 122.48/58, 1-1/2 yen below Monday's highs.

A resumption of downward moves in the Dow, which reached record highs last week, and thinning year-end trade may continue to mar a generally buoyant outlook for the dollar, analysts said.

But otherwise, the picture looks pretty clear, analysts said. Europe will cut interest rates, the Japanese economy will not get any better soon, and year-end position adjustment will favour the dollar.

Expectations that the Bundesbank will cut its key repo rate from the current 3.30 per cent at its next council meeting on Thursday are dwindling, analysts said. But hopes are high that core European rates will fall, either late in December or at the launch of the European single currency in January, based on both economic fundamentals and political will.

"Interest rate cut expectations will drag on the mark, and pull dollar/mark above 1.70," said Jane Foley, currency strategist at Barclays Capital.

In Japan, there is little to alter grimmed gloom about the state of the economy, analysts said. Data on third quarter gross domestic product (GDP) to be released on Thursday are forecast to show negative GDP growth of 2.4 per cent year-on-year.

The quarterly "tankan" survey of business sentiment, due on December 14, is likely to be poor, analysts said. There is a little sign of a cut or suspension of Japan's five per cent sales tax, seen as vital to stimulate the economy.

Dealers forecast dollar/yen rising above 125, and dollar/mark reaching 1.72 by the end of the year.

Sterling/mark ranging above three-week lows tested earlier, weak services survey from UK employers' group CBI adds to pessimism over UK economy but impact slight as survey comes in much as expected.

Sterling already under pressure amid weak UK manufacturers' survey released earlier. Market also wary of repeat of Monday's heavy losses which came amid talk Bundesbank sold sterling/mark at daily exchange rate fixing. Buba said on Monday it had no comment on talk. Sterling at 2.7785/95, just above 2.7765 low but off late Monday's 2.7940/45 marks level. Sterling/dollar at \$1.6494/04 compared with \$1.6491/501 late Monday.

At 1:00 GMT USD was at 1.6866/67 DEM, 122.34/122.44 JPY, 5.6553/6573 FRF, 1.3832/3842 CHF, and GBP at 1.6490/6496 USD.

## Shipping Intelligence

Chittagong Port

Berth position and performance of vessels as on 1.12.98

Berth No	Name of vessels	Cargo	L Port call	Local agent	Date of arrival	Leaving
J/1	Trono	GI	Cal	Everett	28/11	4/12
J/2	Penguin	GI	Yang	SMSL	19/11	3/12
J/4	Sun Bright	GI	Sing	Seaglor	14/11	2/12
J/5	Surabaya Express	GI (Copro)	Sura	BNSC	18/11	3/12
J/6	Golden D	Wheat(P)	Durb	Rainbow	16/11	4/12
J/7	Shinzan (48)	GI	P Kel	SSL	28/11	1/12
J/8	Global Jane	Wheat(P)	Mong	Ancient	R/A	10/12
J/9	Darin Naree	Wheat(P)	Capit	Total	17/11	10/12
J/10	Robin	Sugar(G)	P Darb	Seacom	21/11	5/12
J/11	Mariapets	Wheat(G)	Sing	SSST	20/11	5/12
J/12	Hibiscus	Cont	Col	QCSL	25/11	1/12
CCT/1	QC Pintail	Cont	Sing	QCSL	27/11	2/12
CCT/2	QC Teal	Cont	Sing	QCSL	28/11	3/12
CCT/3	Acacia	Cont	Sing	RSL	25/11	3/12
RM/14	Sebal Deval	C Clink	Jaka	PSAL	R/A	5/12
RM/15	Kwan Mo Bong	Cement	Tang	USTC	8/11	3/12
CSJ	Coral	C Clink	Sing	Delmore	22/11	5/12
DDJ	Silver Star	Wheat(G)	K Dia	Ancient	R/A	3/12
DD	Nidia	IBSD	Sing	MSTPL	21/11	2/12
DDJ/1	Tanary Star	Repair	Para	BSC	R/A	7/12
DDJ/2	Princes	IDLE	Hame	B BSA	11/11	30/12
	Seabulk Command	-	K Dia	IBS	R/A	-

Vessels due at outer anchorage

Name of vessels	Date of arrival	L Port call	Local agent	Cargo	Loading port
Morretes	1/12	Baha	OWSL	Scraping	-
Tea Dong Gang	1/12	-	PSAL	SSP	-
Baltmar Venus	1/12	-	Seacon	GI (Copro)	-
Manas (Cont) 22/11	2/12	Sing	RSL	Cont	Sing
Yong Jiang	2/12	Col	Bdship	GI	-
Karunia Pacific	2/12	T. Priok	Litmond	Q	-
Morning Star	2/12	-	Rainbow	R Seed	-
Mtn Jiang	3/12	-	Bdship	GI	-
Jiang Yang	2/12	-	TMIL	PSPP	-
Mokran 19/11	2/11	Sing	BSC	Cont	Sing
SS Juneau	2/12	USA	SSST	Wheat(G)	-
Kimdong	3/12	Kaki	MSL	Rice(G)	-
Banglar Robi (Cont) 19/11	2/12	Sing	BSC	Cont	Sing
Arktis Blue	3/12	-	Sunshine	GI (St. Coll)	-
Joy World (48/29)	3/12	-	-	-	-
Al Murtaba	2/12	Kura	CLA	Rice(P) GI	-
Prosrich 25/11	3/12	Sing	QCSL	Cont	Sing
Jurong Balsam 26/11	4/12	Sing	NOL	Cont	Sing
Kota Berjaya 24/11	4/12	Sing	Pil(BD)	Cont	Sing
Martina	1/12	-	USTC	Cement	-
Meraks	1/12	-	USTC	PSPP	-
Richmond (Cont) 19/11	3/12	Sing	QCSL	Cont	Sing
Teresa Prestige	15/12	-	Everett	GI	-
Yasmina	5/12	Yang	SMSL	GI	-
Diligence Cont 29/11	6/12	Sing	QCSL	Cont	Sing
Xia Men	05/12	-	Bdship	GI	-
Bunga Mas Enam 29/11	6/11	-	EOSL	Cont	Sing
Banglar Shikha 26/11	6/12	Sing	BSC	Cont	Sing
Hai Nan No.1	6/12	-	MBL	C. Clink	-
Ocean-1	7/12	Yang	Smsl	GI	-
Banga Biraj (Cont) 22/11	6/11	-	Bdship	Cont	Sing
Ken Pan	8/12	NORF	OWSL	Wheat(G)	-
Bunga Mas Lapan 29/11	8/12	-	EOSL	Cont	Sing
Kota Naga 30/11	9/12	Sing	Pil(GE)	Cont	Sing
Aghia Sophia	10/12	Sing	BSC	Cont	Sing
Banglar Moni 29/11	10/12	Sing	BSC	Cont	Sing
Tierra Azul	18/12	-	Everett	GI	-
Asian Leader 29/11	18/12	Col	JF	Vehi	-

Tanker due

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Zee Brugge	3/12	Hald	MBL	Ammonia
Lipetsk	4/12	Durb	OTL	CDSO

Vessels at Kutubdia

Vessels at outer anchorage

Ready on

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Yang Lin	GI	Sing	Prog	22/11
Norbulk Pine	GI	Miza	Prog	28/11
Kota Singa (Cont)	Cont	Sing	Pil(Bd)	28/11
Makassar Express	Cont	Col	Baridhi	29/11
Apj Anand	C. Clink	Sing	PSAL	30/11
Banga Birol 27/11	Cont	Sing	Bdship	30/11
Cosmic	Wheat(G)	Newo	OWSL	23/11
Banglar Maya	Wheat(G)	-	BSC	R/A(26/11)

Vessels awaiting instruction

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Karya Sentosa	Rice (G)	-	USTC	R/A (18/9)
Rong Jiang	Rice(G)	Kaki	OWSL	R/A (9/9)
Ritz	Rice(P)	Kaki	OWSL	R/A (24/9)
Delta Star	-	-	RSR	R/A (7/9)
Sea Bird	-	-	CSNL	R/A (14/11)
Good Will	-	-	Abahoni	R/A (26/11)
Sea World	-	-	CSNL	26/11
Banglar Asha	Wheat(G)	-	BSC	R/A (30/11)
S. Pioneer	-	-	LSC	R/A (30/11)
Barge Wombat/Le Macareux/PDC-1	-	-	Karna	R/A (30/10)

The above are today's shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.

## 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, IBB lost 4-7/8 to 165-1/8 and Compag 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

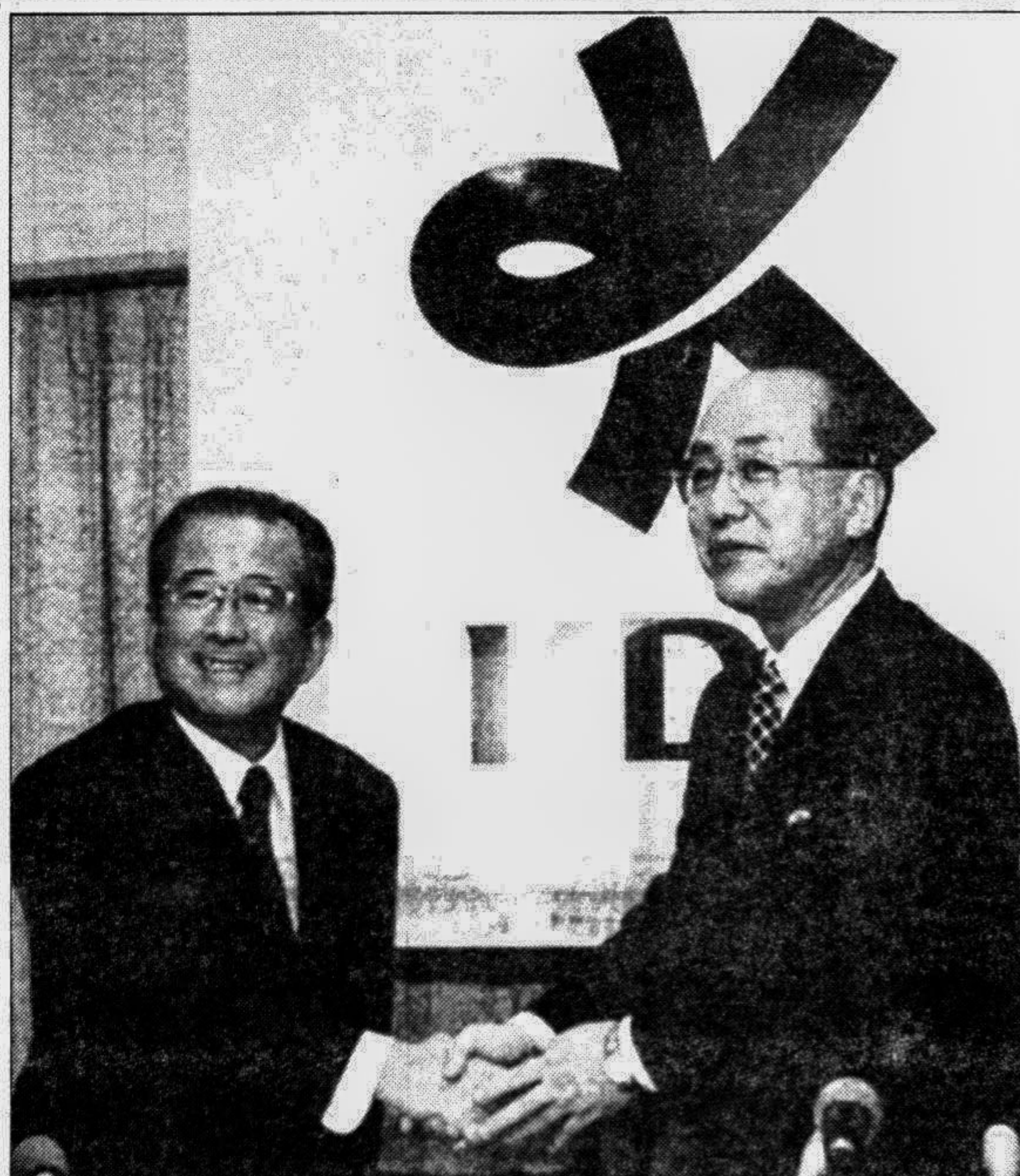
NEW YORK, Dec 1: US billionaire financier George Soros warned that the global economy is facing the risk of recession in the next couple of years despite the current stock market revival, said a report in the Newsweek magazine, reports Xinhua.

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.

## 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 in for mid-term polls, it will be a major step back for the economy," said Divesh 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 Sanghvi.

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.

