Global price crash casts doubt over Indian oil exploration

by Sunil Saraf

NEW DELHI, Jan 14: Doubts are being raised about the timing of the roadshows being planned to woo foreign and private investments for the hydrocarbon blocks in India in the aftermath of the steep decline in crude oil prices worldwide.

The three-week international campaign from January 22, which will take top government officials to Singapore, London, Houston, Perth and Canada with the offer of 48 hydrocarbon blocks, is timed to succeed Petrotech-99, a conference-cum-exhibition on oil and gas, that concluded here this week.

The four-day event was "to showcase to the world India's achievements and challenges and an idea of investment opportunities in hydrocarbons", as Prime Minister Atal Bihari Vajpayee put it while inaugurating it.

The price crash has generated doubt in the oil industry if the foreign investors will be willing to risk their money for exploration prospects in India when they are trying to cope with the sharp fall in the value of their investment assets and returns.

Besides, the track record of private investments in the Indian oil sector has not been encouraging either. Mr. J. W. Simpson, Vice President of the U.S company Chevron, told Petrotech-99 that the offer of exploration blocks does not excite his company in the existing circumstances. "Investments would not be in billion dollars, but only in million dollars" in the aftermath of the oil price crash, he cautioned.

Some other companies are also believed to have expressed such sentiment in some sessions of the conference closed to the media.

Some foreign participants say the offer has come very late, a reference to the over two years time taken in finalising the New Exploration Licencing Policy (NELP).

The Indian government is, however, banking on its NELP which promises liberal terms and conditions for hydrocarbon exploration and production compared to what has been on offer earlier. Encouragement to deep-water exploration, which will bear half the 10 per cent royalty rate applicable to other offshore areas, is one of the new features of the NELP.

Freedom to sell oil and gas, income-tax exemption for seven years from production commencement and customs duty exemption for equipment imports are some of the other new features to attract the investors. "We will be looking at the details of these terms and conditions when the government goes on its campaign", said an official of Shell India Production Development which is now preparing for exploration drilling in an oil field in Rajasthan after the completion of seismic surveys.

Lengthy negotiations stretching over several years for production-sharing contracts with the government have proved an unpleasant experience for the investors in the past. This has been the result of insufficient elaboration of the terms and conditions, slow-moving bureaucracy dithering at decision-making, and inexperience of the government negotiating teams in deals with the investors.

Shell figures among the 22 contractors for exploration blocks and 17 contracts for development and production of discovered fields signed up in all these eight years of economic liberalisation.

About $400 million put in exploration and $1.4 billion invested in exploitation of developed hydrocarbon fields by the private sector, mainly foreign companies, as explained at the Petronet- 99, is not regarded as any achievement considering the vast potential that India offers.

Exploration and production call for an investment of Rs 718 billion ($17 billion) in the ten years to March 2007, Suresh Mathur, Chairman of Petronet LNG, explained. Together with the gas processing and marketing, refining and marketing sectors, Rs 3,115 billion ($74 billion) investments are needed by 2007.

India is deriving its hydrocarbon production from only six out of the 26 sedimentary basins which cover a 3.14 million square kilometre area. This means less than 35 per cent sedimentary basin area has been explored so far, explained Avinash Chandra, Director General for Hydrocarbons.

The country has a large hydrocarbon geological resource base of 28 billion tonnes, but only 6.5 billion tonnes have been upgraded to in-place reserves.

Domestic crude production is over 0.7 million barrels per day (b/d) whereas the demand is over 1.7 million b/d . The gap is being met by imports. Gas production at 72 million cubic metres per day is much lower than the demand and the gap is being left unbridged at present due to import constraints.

Demand for petroleum products in India is rising by about seven per cent per annum. But self-sufficiency in crude oil production will decline to 30 per cent by 2001 from 36 per cent at present as crude production is showing stagnation between 32 and 37 mt per annum. Indian hydrocarbon fields are also showing very low recovery. These are the challenges before the Indian oil and gas industry as listed by Chandra.

"Enhancement of production capacity and import to meet the shortfall would entail a concurrent and integrated approach to development of port facilities, storage, transport and marketing infrastructure", said Minister of State for Petroleum and Natural Gas Santosh Kumar Gangwar, indicating that the challenge is much wider than mere attention to oil and gas.

That India has yet to chart out a long-term programme for its hydrocarbon industry was brought out by Prime Minister Atal Bihari Vajpayee's announcement at Petronet-99 of the government's decision to set up a Special Group of Ministers to draw up 'India Hydrocarbon Vision 2020'. This will accelerate the process of reforms in the petroleum sector in a time-bound frame.

"The current low prices of crude and petroleum products provide an opportunity for rapidly achieving price and tariff reforms in the country", remarked Vajpayee.

— India Abroad News Service

Indian govt to sell equity in six companies

NEW DELHI, Jan 14: The Indian government yesterday announced the sale of a part of its equity in state-run companies, sparking furious reactions from powerful trade unions, reports AFP.

An official spokesman said between five to 12.5 per cent of government equity would be sold in the six public sector firms, including the Indian Oil Corp (IOC).

The other companies were identified as the Oil and Natural Gas Corp, Gas Authority of India Ltd, National Aluminum Co. and Communication firms — Mahanagar Telephone Nigam Ltd and Videsh Sanchar Nigam Ltd.

No further details were available.

The announcement was denounced as a sellout by Manor Trade Unions, including one allied to India's ruling Hindu nationalists.

"Indiscriminate disinvestment of state-owned companies in the name of privatisation will lead to takeover by multinationals," the Bharatiya Mazdoor Sangh (Indina Labour Union) India's largest union, said here.

The decision "is like selling family silver for an easy living," added the Communist-controlled All India Trade Union Congress (AITUC).

The Indian government says it wants to mop up 1.2 billion dollars by selling its equity in public sector companies during the fiscal year that ends in March 1999.

Japan spends $5b to halt yen's rise

TOKYO, Jan 14: Japan's central bank has spent more than five billion dollars to halt the yen's rise against the dollar, a daily said, reports AFP.

The Bank of Japan intervened in the Tokyo and London markets Tuesday by buying more than five billion dollars, the Yomiuri Shimbun said a quoting market sources.

Intervention in Tokyo Tuesday morning helped the dollar recover to the 111-yen level after the greenback fell to a 28-month low of 108.21 yen in New York trading Monday, the daily said.

The central bank intervened again in the afternoon here as well as in the London market, pushing the dollar 112 yen level. The US unit was quoted at 112.48-53 yen," a city bank Dealer was quoted by the Nihon Keizai Shimbun as saying.

The Nihon Keizai Shimbun said the Bank of Japan spent two billion dollars Tuesday to stem the yen's gains while the Asahi Shimbun said it spent one billion dollars.

S'pore Airlines to halt Berlin service

SINGAPORE, Jan 14: Singapore Airlines (SIA) said Thursday it would halt its twice-weekly operations to Berlin at the end of March, reports AP.

The decision to cancel service followed a worldwide review of the national carrier's route network in light of the east Asian economic crisis, an airline statement said.

The service, via Zurich, Switzerland, began in September 1990 to Berlin's Schoenefeld airport. Loads increased steadily over the years, but not up to expectations, said the statement.

Since the crisis started in mid-1997, Singapore Airlines has dropped Sendai, Japan and Hangzhou, China as destinations.

Singapore Airlines entered into an alliance last July with Lufthansa German Airlines, which connects Berlin's Tegel Airport to Singapore via Frankfurt, Germany.

New agency to oversee Thai Airways

BANGKOK, Jan 14: Thailand's transport and communications minister has said he will create a new agency to oversee Thai Airways and four national aviation bodies, local media reported on Thursday, says AP.

Suthep Thaugsuban said his action was prompted by the lack of coordination between existing agencies, which, he said, contributed to the crash of a Thai Airways jetliner in December that killed 101 people.

The new agency will oversee the airline, the Civil Aviation Department, the Airports Authority of Thailand, Aeronautical Radio of Thailand and the Meteorological Department, The Nation newspaper reported.

Suthep also said he would make public the results of a government investigation into what caused the crash of Flight TG261 near the southern city of Surat Thani on Dec 11.

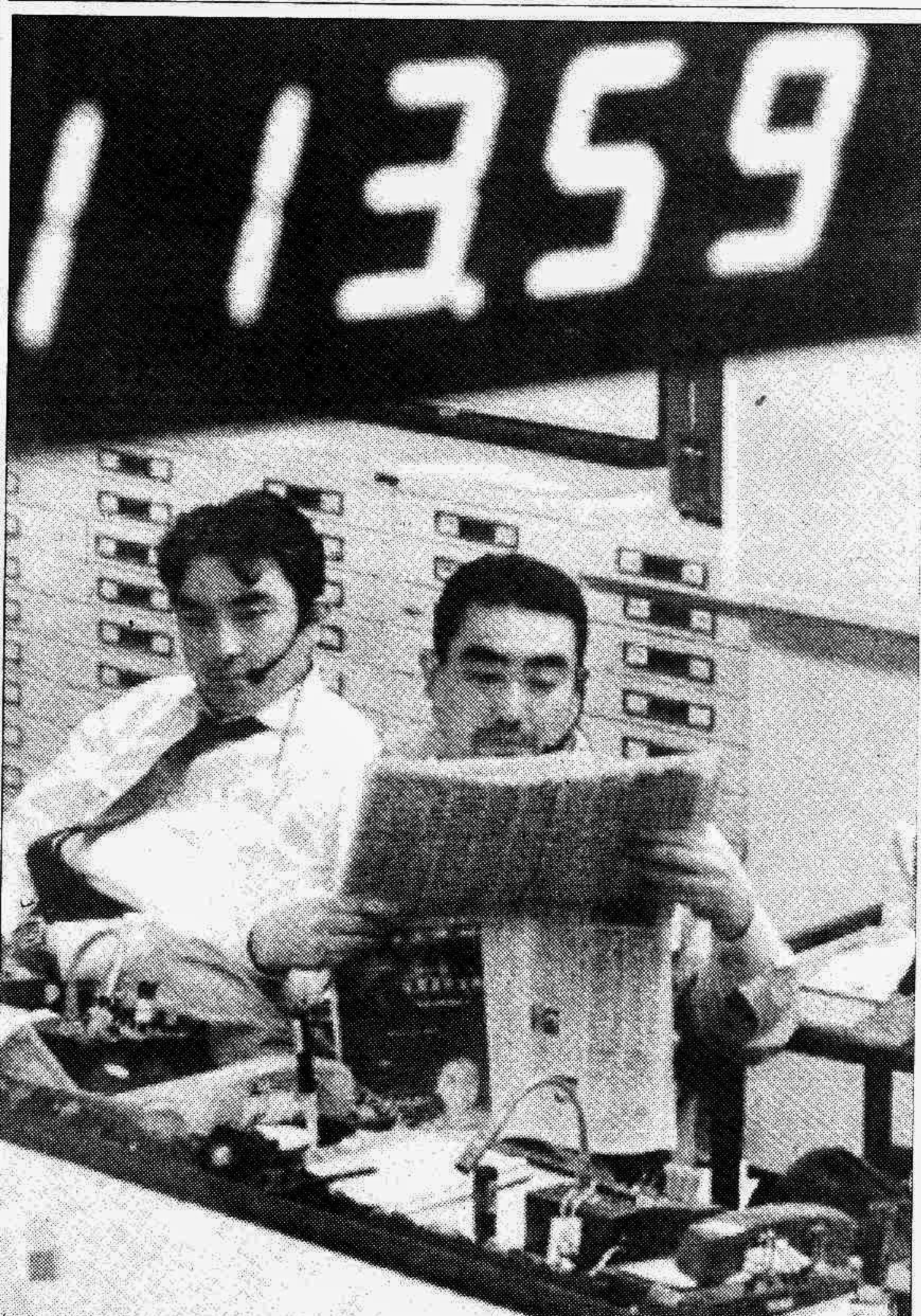
Suthep's sister was among the victims of the crash.

The plane crashed during a rain storm on its third attempt to land at Surat Thani airport. Some of the 45 survivors have blamed the pilot for attempting a third landing.

Airport officials have also come under fire, however, for removing the airport's instrument landing system, a computer navigation aid that makes it possible to land in bad weather.

Airport officials have also admitted that half the runway lights were not working at the time of the crash.

The pilot had complained of poor visibility before the accident.



A money trader reads a front page news reporting that Brazilian currency was devalued at the foreign exchange in Tokyo Thursday. While the troubled Brazilian currency had little effect on Tokyo markets, the US dollar was up slightly against the yen and quoted at 113.59 yen.

— UNB/AP photo

UN to adopt rules to halt cybersquatting

GENEVA, Jan 14: A UN agency may adopt new rules by this summer to stop profiteers from registering Internet addresses resembling the trademarked names of famous companies, an agency official said Wednesday, reports AP.

The World International Property Organisation, which coordinates international patents, copyrights and trademarks, has begun receiving comments on the proposed rules issued last month, said Francis Gurry, legal counsel of the UN agency.

The new rules aim to stop people from cybersquatting — paying the $100 fee to register, say, microsoftwindows.com as their World-Wide Web address and then trying to get Microsoft to spend thousands of money to buy the site.

The rules could be finalised by the end of March and handed over to the fledgling Internet Corporation for Assigned Names and Numbers, the California-based group the Clinton administration chose last year to oversee the assignment of Internet addresses, Gurry said.

If the Board of the international group accepts the rules, they could be implemented by this summer, he said.

Under the proposed rules, ICANN would require that people registering a domain name provide details of where they can be contacted. If they cannot be reached in the case of the dispute, they would automatically be "switched off" from using the Internet address.

Applicants would also have to agree to submit to arbitration, which could be conducted over the Internet. Decisions would be binding.

Comment to WIPO's Internet site tends to be positive, Gurry said.

Many companies without the forethought to register their names years ago have been victims of cybersquatting.

Someone even registered the WIPO name as wipo.com, and offered to sell it for dlrs 5,000. The agency, whose real Internet address is wipo.int, has no intention of buying the other address, Gurry said.

Lending sans state approval

China media warns foreign banks

BEIJING, Jan 14 : China's state media warned international banks not to lend money to Chinese firms without state approval, citing failed Guangdong International Trust and Investment Corp. as an example Thursday.

"The government's resolute closures of debt-ridden financial institutions is actually a warning to foreign banks: don't indirectly collude with Chinese financial firms borrowing without state approval," the Economic Daily said in a commentary. "Foreign financial institutions should not think that the Chinese government will repay debt for closed institutions. They must be prudent in making loans," it said.

China said it would seek bankruptcy for Guangdong International Trust and Investment Corp (GITIC), an arm of the Guangdong provincial government, in what could be the country's biggest bankruptcy since the communists took over in 1949.

GITIC, once one of the best known Chinese names on world capital markets, was closed by the central bank in October for inability to repay matured debts. Analysts have said the decision to push GITIC into bankruptcy and not support even its registered debt showed that Beijing believed there were more such threats to its shaky financial system.

Creditors had until January 6 to file claims and Sunday, GITIC's trustees revealed that the company had debts of 36.17 billion yuan ($4.37 billion) and assets of 21.47 billion yuan.

"A common problem shared by closed institutions is that their internal management had been very lax and regulations were incomplete, while the systems of controls and responsibilities were unclear," the commentary said.

"Guangdong International Trust and Investment Corp. did not register its debt, but its overseas borrowing had amounted to several billion Hong Kong dollars," it said.

Some domestic institutions had been involved in various irregularities such as taking deposits at higher interest rates or putting public funds into personal accounts.

— CNN Internet

Lingering Asian woes to hit US growth

WASHINGTON, Jan 13: Asia's economic troubles probably will linger until 2000 or later and will contribute to a significance slowdown in the US economy this year, leading business economists predicted on Tuesday, says Reuters.

A survey to 130 members of the National Association for Business Economics (NABE) said a rebound in capital spending late in 1998 helped offset the squeeze in manufacturers from a sharp drop in exports to Asia.

But it said profits got pinched for the third straight quarter at the end of 1998 and predicted heightened cost-cutting efforts ahead.

"During the first half of 1999, NABE panelists expressed caution going forward, probably given the uncertainties in Asia," the survey reported. Panelists expect relatively weak economic performance there, with only one-third of the panelists anticipating a turn around in Asia before December.

In general, the survey said, its members "remain fairly pessimistic about the Asian outlook."

Diane Swonk, an economist for Bank One in Columbus, Ohio, and an association Vice President, said there were some hopes that Asia's woes were "unwinding" but it would be a slow process.

For example, she noted that 44 per cent of survey respondents said their exports were still falling as 1998 ended, compared with 61 per cent who said that was the case in the third quarter.

Nearly 70 per cent of the economists thought a turnaround in Asia's performance, with a resumption of economic growth in the region, was unlikely before the year 2000.

Swonk said her personal view was that a revival of the moribund Japanese economy, by far the biggest in the region, was essential for Asia to recover since strong demand in Japan would stimulate production in other Asian countries.

If Japan doesn't bounce back, 'it's going to be very difficult for these other back, it's going to be very difficult for these to Asian economies to make a recovery,' she said.

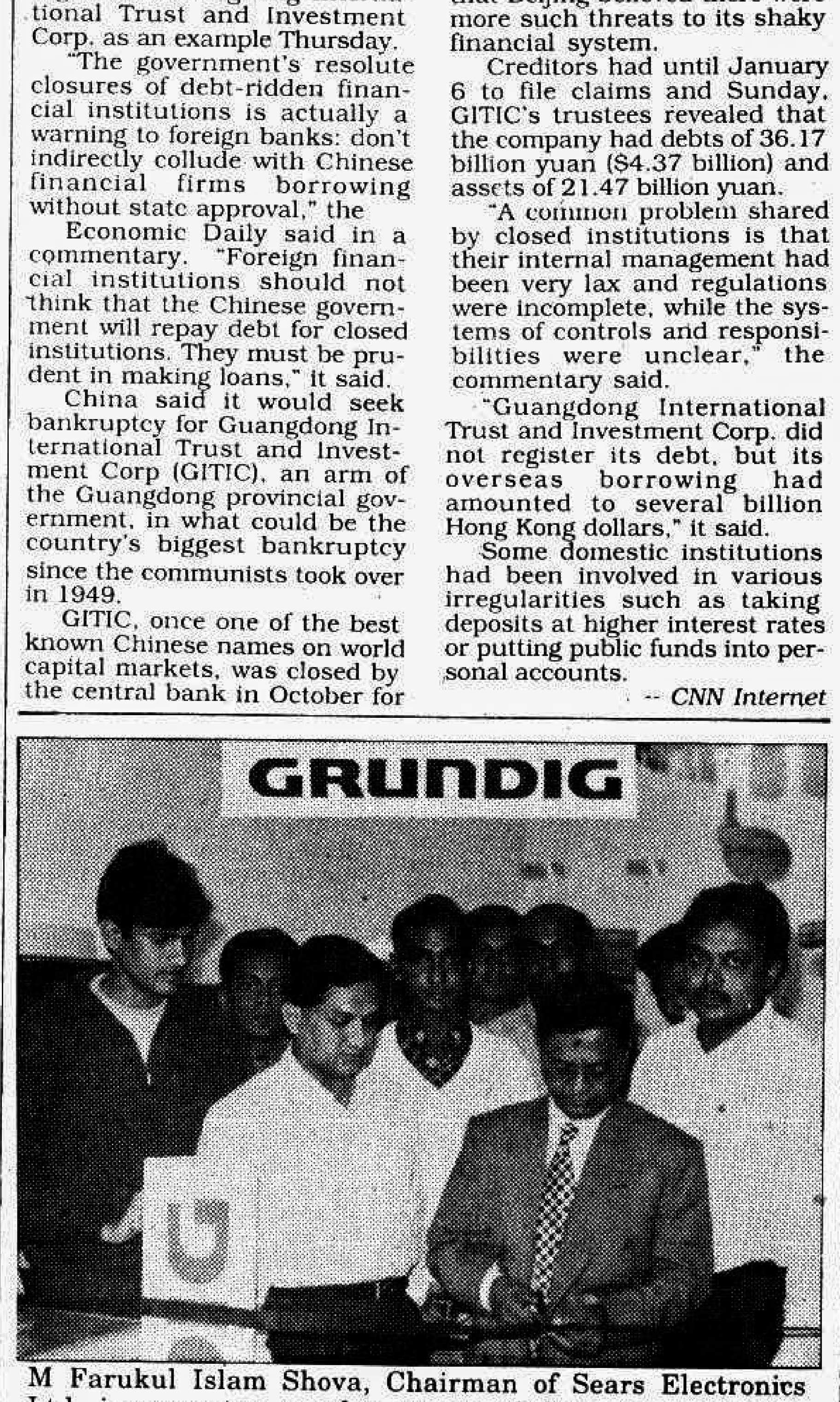
Most companies saw business pick up in the fourth quarter from the third quarters, the survey found, helped by more spending to prepare computer systems for 2000.

"Nevertheless, performance in the goods-producing sector, which also showed some improvement, continued at its weakest level since late 1991," the report said, referring to the period after the last recession ended in 1991.

Profits remained under pressure, according to the survey. "The profits index has now indicated shrinking profit margins for three quarters in a row," it said.

While most economists expect a slowdown, some said growth would all but evaporate in the first half of the year after the economy grew an estimated 3 per cent to 4 per cent last year.

"The overwhelming majority expect the economy to weaken significantly in 1999," the survey said, it said half the economists expect growth to slow to 1 per cent to 2 per cent a year in the first half of 1998 and 13 per cent see growth dropping below 1 per cent .



M Farukul Islam Shova, Chairman of Sears Electronics Ltd, inaugurates a sales centre of Grundig electronics products of Germany at Nurjahan Road, Mohammadpur, recently. Managing Director M Mofizul Islam and Director M Mofizuddin Kamal are also seen.

— Sears Electronics photo

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicated) against the taka to clients.

Currency	Selling TT & OD	Selling BC	Buying TT Clean	Buying OD Sight Export Bill	Buying OD Transfer
US Dollar	48.7050	48.7450	48.3100	48.1570	48.0850
Pound Stg	80.6068	80.6730	79.4216	79.1701	79.0517
Deutsche Mark	29.3974	29.4215	28.3932	28.3033	28.2610
Swiss Franc	35.8547	35.8841	35.2782	35.1665	35.1139
Japanese Yen	0.4310	0.4314	0.4234	0.4221	0.4214
Dutch Guilder	26.0907	26.1121	25.1995	25.1197	25.0821
Danish Krona	7.6858	7.6921	7.5016	7.4778	7.4666
Australian $	31.1907	31.2163	29.9474	29.8525	29.8079
Belgian Franc	1.4253	1.4265	1.3766	1.3723	1.3702
Canadian $	32.2614	32.2879	31.3559	31.2566	31.2098
French Franc	8.7650	8.7722	8.4656	8.4388	8.4262
Hong Kong $	6.2994	6.3046	6.2234	6.2036	6.1944
Italian Lira	0.0297	0.0297	0.0287	0.0286	0.0285
Norway Kroner	6.5279	6.5333	6.4149	6.3946	6.3850
Singapore $	29.3051	29.3291	28.3676	28.2777	28.2355
Saudi Rial	13.0227	13.0334	12.8450	12.8043	12.7852
UAE Dirham	13.2972	13.3081	13.1167	13.0751	13.0556
Swedish Krona	6.2575	6.2627	6.1751	6.1666	6.1464
Qatari Riyal	13.4174	13.4284	3.2320	13.1901	13.1704
Kuwaiti Dinar	166.9695	167.1066	154.7406	154.2505	154.0199
Thai Baht	1.3187	1.3198	1.3051	1.3010	1.2991
Euro	57.4963	57.5435	55.5323	55.3565	55.2737

Bill Buying Rates:

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
48.2112	47.9074	47.5048	47.1023	46.6667	45.8945

US Dollar London Interbank Offered Rate (Libor) as of January 14,1999

	Buying	Selling	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
Cash	48.0850	48.7050	USD	5.00	5.03	5.03	5.03	5.06
T.C	48.0850	48.7050	GBP	6.12	5.88	5.68	5.60	5.48

Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
42.497/42.502	50.92/51.02	36.83/36.88	3.8000/3.8002	8650/8750	1184.5/1187.5

Amex notes on Thursday's market

The USD/BDT market is still suffering from the liquidity crisis. The USD/BDT rates stayed in the 48.66/48.6650 level. The USD shortage would continue until the market makers start selling USD in the interbank market again.

The call rates was around 5.00-6.25% today. The market is liquid, which has kept the call rates down.

The dollar firmed slightly against the yen and the euro by late Tokyo on Thursday as Asian markets appeared to be reacting relatively calmly to Brazil's currency devaluation, dealers said.

But markets in Asia were still ascertaining how Wall Street and other markets would price in the impact of the devaluation later on Thursday, which made operators reluctant about boosting their dollar positions actively by late afternoon, they said.

On Wednesday, Brazil's central bank widened its real-dollar foreign exchange band to allow the Brazilian currency to trade at between 1.2 and 1.32 reals from 1.22 against the dollar.

Although Asian share markets suffered losses after the devaluation, some dealers said the losses were limited. The reaction in Asian currencies was also limited, they said. Hong Kong stocks erased some of their early losses by late afternoon trade after tumbling at the opening as Brazil's currency devaluation brought added concerns to a market already weakened by worries about the debt of Chinese firms.

As of 0702 GMT, the blue-chip Hang Seng Index was down 0.91 per cent at 10,179.81 points after opening down 2.10 per cent at 10,058.16 points. US stocks took a big hit overnight, with the Dow Jones Industrial average dipping as much as 262 points before easing by the close. It ended down 125.12 points at 9,349.56.

Meanwhile, Tokyo stocks ended sharply higher, as worries over Brazil's financial crisis were overridden by the yen's weakness against the dollar. At the close, the benchmark Nikkei average was up 335.26 points or 2.50 per cent at 13,738.86.

The dollar maintained a stronger bias against the yen throughout the day amid strong short-covering demand, particularly below 113 yen, following a recent downtrend, dealers said.

Early rounds of commercial demand ahead of a three day holiday in Japan and weakness in Japan's banking shares also underpinned the greenback, dealers said. But the market lacked energy to drive up the dollar decisively above 114 yen amid offers by exporters and institutional investors and uncertainty about the situation in Brazil and Latin America, they said.

As of 0735 GMT, the euro stood at 131.94/132.14 yen against 132.09 yen in late New York trade on Wednesday. The euro fell as low as around 124.50/60 yen in overseas markets on Monday.

At 8.55 GMT, USD was at 1.6840/1.6848 DEM, 111.47/111.57 JPY, 1.3754/1.3764 CHF, 5.6490/5.6419 FRF, Eur at $1.1610/1.1615 and GBP was at $1.6388/1.398.

Shipping Intelligence

Chittagong port

Berth position and performance of vessels as on 14.01.99.

Berth No.	Name of vessels	Cargo	L.Port call	Local	Date of agent	Leaving arrival
J/1	Golden D	Wheat (G)	K Dia	Lams	R/A	14/1
J/3	Jammi	Rice(G)	Cal	Royal	2/1	19/1
J/4	Ecso Argo(48)	GI	Tanj	Prog	12/1	14/1
J/5	Samuda	Rice(P)	Kand	Seacom	1/1	16/1
J/6	Lucky Oldendorff	M.Seed	Mad	Lutful	10/1	20/1
J/7	Pirma Cynthia	GI	Sing	Prog	29/1	14/1
J/8	Song Lin	GI	Sing	Bdship	30/12	19/1
J/9	Al Swamruz	Wheat(G)	K.Dia	ASLL	R/A	20/1
J/10	Great Fortress	Wheat(P)	Turk	OWSL	28/12	19/1
J/11	Banglar Mamata	Wheat(G)	K. Dia	BSC	R/A	15/1
J/12	Kota Singa	Cont	Sing	Pil(BD)	6/1	16/1
J/13	Banglar Moni (Flag)	Cont	Sing	BSC	5/1	14/1
CCT/1	Budi Amana	Cont	Sing	RSL	3/1	15/1
CCT/3	Prosrich	Cont	Sing	QCSL	4/1	14/1
RM/14	Youngliy	C.Clink	Sing	PSAL	10/1	25/1
CCJ	Anodad Naree	C.Clink	Indo	Delmure	30/12	25/1
GSJ	Banglar Shobha	Wheat(G)	-	BSC	R/A	15/1
TSP	Qin Ling	R.Phos	Nanj	Seacom	4/1	14/1
RM/3	Patty Ann	Cdso	Darb	TSL	4/1	15/1
DOJ	Banglar Jyoti	C.Oil	-	BSC	R/A	14/1
DDJ/1	Tanary Star	Idle	Para	PSAL	-	31/1

Vessels due at outer anchorage

Name of vessels	Date of arrival	L.Port cal	Local agent	Cargo	Loading port
Anshuan Jiang	14/1	-	Bdship	GI	-
Island Princes (48) 6/1	15/1	Cal	Cla	Rice(P)	-
Tea Dong Gang	15/1	-	PSAL	Cement	-
Nazlig	17/4	Mong	MBL	Urea	-
Surabaya Express	16/1	Yang	OLM	GI(LOG)	-
Kota Naga (Cont) 5/1	15/1	Sing	Pil(BD)	Cont	sing
Kim Dong	15/1	Cal	Cla	Rice	-
Ocean-1	15/1	Yang	SMSL	GI(Log)	-
Hexagram	16/1	-	Simni	Scraping	-
Talana	16/1	-	Simni	Scraping	-
Banglar Urmi	22/1	Male	BSC	GI	-
Xpress Resolve (Cont) 3/1	18/1	Sing	RSL	Cont	-
Banga Birol (Cont) 10/12	18/1	Sing	RSL	Cont	Sing
Yasmina	17/1	Yang	SMSL	GI	-
General Mojica	18/1	Sing	Dolphin	R. Seed	-
Qc Pintail	18/1	Sing	QCSL	Cont	Sing
Bangalr Groub	18/1	Kara	BSC	Rice(P)	-
Bunga Maslapan (Cont) 12/1	19/12	-	EOSL	Cont	Sing
Sin Hai(Cont) 10/1	19/1	Yang	SMSL	GI	Sing
Arktis Blue (48)11/1	20/1	Hazi	RSA	GI(St.Coil)	-
Makassar Exress (Cont)10/1	19/1	-	Baridhi	Cont	Sing
Starman	19/1G	G.Town	SSST	Wheat(G)	-
Ocean Brave (48)4/1	20/1	-	Everett	GI	-
Amfitriti	20/1	-	Oil	GI	-
Bright Vega					

Tanker due:

Trent	14/1	Sing	MSTPL	HSD/Ms	-
Nagayevo	13/1	-	Tsl	Tallow	-
Pacific Hunter	16/1	Juba	ECSL	HSD	-
Sandgate	18/1	Kuwt	MSTPL	Sko	-

Vessels at Kutubdia

Name of vessels	Cargo	Last port call	Local agent	Date of Arrival
Sea Bulk Command	-	-	IBS	R/A(22/12)
Hassbat Qatar	C.Oil	Jabe	USS	9/1
Banglar Shourabh	C.Oil	-	BSC	R/A (12/1)

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