Western creditors agree to reschedule Pak debt

ISLAMABAD, Jan 30: The Paris Club of western creditor nations on Saturday agreed to reschedule cash-strapped Pakistan's debt over a period from July 1999 to Dec. 2000, a Pakistani spokesman in Paris said Saturday, reports AP.

The details of the agreement and the amount of rescheduled debt will be announced by Finance Minister Ishaq Dar later on Saturday in London, Noor Saghir Khan, a Pakistani Embassy spokesman told The Associated Press on telephone from Paris.

Pakistan had earlier sought the rescheduling of $ 2.4 billion debt from the Paris Club, an ad hoc forum of Western creditor nations which meets periodically to discuss terms for debtors countries unable to repay loans on schedule.

A Pakistani delegation led by Dar held two days of talks with the Paris Club, promising that the country will carry out major structural reforms in the economy over the next three years.

The meeting which began Friday discussed the terms and conditions of the debt rescheduling, Khan said.

"The Western creditors nations have expressed satisfaction over the steps taken by Pakistan so far to restructure the economy," he said.

Dar said he told creditor nations that Islamabad has already carried out a number of steps to revive the country's ailing economy.

Faced with worst economic crisis, Pakistan earlier delayed the repayment of $ 1.7 billion worth of loans after G-8 nations clamped economic sanctions on the country following its series of nuclear tests in May in response to similar tests by India. The country is on a grace period on the repayments of these loans.

The International Monetary Fund, the World Bank and other global donor agencies earlier this month resumed fresh lending to Pakistan, burdened by a $ 32 billion foreign debt and hit by a severe foreign exchange reserves problems.

Since the global donors resumed lending to Pakistan, reserves have jumped to $ 1.6 billion as of Jan. 23.

In Oct. last year, the reserves slumped to an alarming level of $ 400 million from a little over one billion dollar before it conducted the nuclear tests.

Dar will hold a meeting with the members of London club of commercial lenders later Saturday.

Asian leaders cool on single currency idea

DAVOS, Switzerland, Jan 30: Despite concerns over fluctuating exchange rates, Europe's new single currency had few willing imitators among Asian government leaders at the World Forum Friday, says AP.

European leaders have suggested their desire for an Asian regional currency which would function as the third pillar of world currencies, alongside the dollar and euro, introduced earlier this month.

But Asian officials speaking at a gathering of business and political heavyweights said the idea was at most a distant aspiration.

And Canadian Prime Minister Jean Chretien brushed off suggestions that his country might consider abandoning its currency for the US dollar.

Eisuke Sakakibara, Japan's vice finance minister, said that using the yen as a regional currency for Asia is "unrealistic" at present.

Asia will continue to be dollar-denominated for some time to come," Sakakibara predicted.

He said it would take at least five to 10 years to turn the yen into a currency with an international status similar to that of the euro.

Singapore's senior minister, Lee Kuan Yew, said he sees no prospect of a single Asian currency anytime soon because Asia's economies are too diverse.

"One currency is an aspiration more than a forecast," he said.

Japan and several European countries called for closer Group-of-Seven coordination to try to limit currency fluctuations.

US officials opposed the call. The cause of last year's crises "had much more to do with domestic capital flight than it did with the behaviour of external speculators," US Deputy Treasury Secretary Lawrence Summers said.

Lankan tea output hits record high

COLOMBO, Jan 30: Sri Lanka's tea production reached a record high of 280 million kilos last year up by 3.2 million kilos or 1.15 per cent over that of 1997, according to Sri Lankan Tea Board (SLTB), reports Xinhua.

This is the fifth consecutive year of all-time high tea production since 1994, and SLTB official said today.

A significant feature of tea production last year was the continued growth of the low grown tea which had risen from 136 million kilos in 1997 to 150.3 million kilos in 1998 and accounts for 53.6 per cent of the total tea production in the country, the official said.

Meanwhile the high grown tea production declined from 83.7 million kilos in 1997 to 77.4 million kilos last year the official said, adding that the medium grown tea also dropped from 57.1 million kilos to 52.3 million kilos.

Tea is one of Sri Lanka's main export items and the source of 25 per cent of its export earnings. It is estimated that the tea crop in 1999 will reach 296 million kilos, up by 16 million kilos or 5.7 per cent over last year, the official added.

Russia may start minting gold coins in 2nd quarter

MOSCOW, Jan 30: Russia may start minting gold coins in the second quarter of this year and silver coins may follow, an official from the state precious metals and gems reserve, Gokhran, said yesterday, reports Reuters.

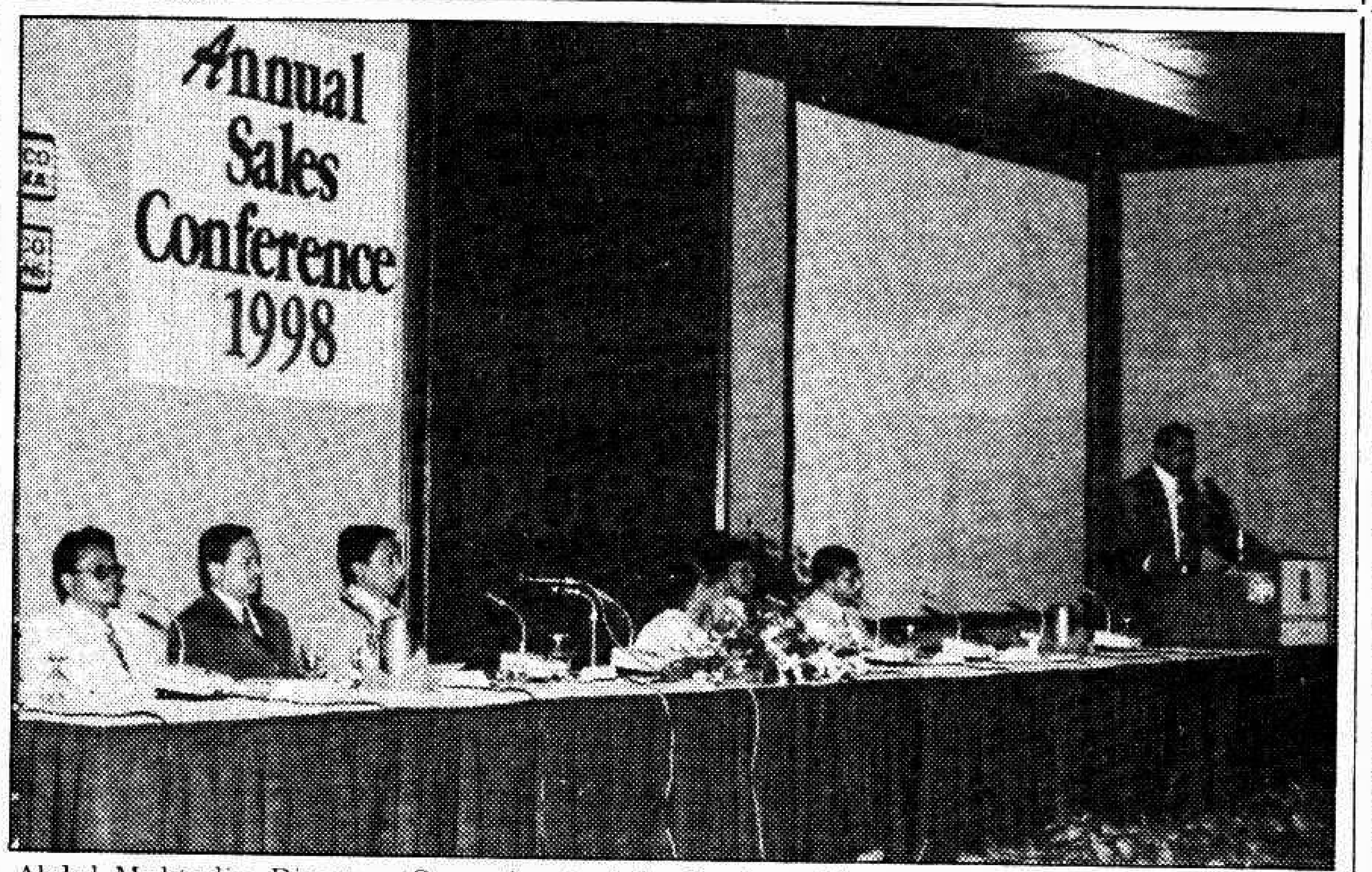
Approval by the state Duma (lower house of parliament) is vital for the project to go ahead, but it is not yet clear when the chamber will tackle the issue.

Gokhran Deputy Chairman Dmitry Ignatyev told Reuters. Ignatyev declined to disclose the volume of the coin issue, but said the government planned to start minting from five to 10 tennes of gold.

'We are going to launch gold coins ... silver coins could follow later,' Ignatyev said.

'But, he said, the government must remove value-added tax (VAT) on operations with gold to make the gold coins market liquid.

"It is necessary to apply the same terms which are applied to the dollar to gold, or nothing will happen," Ignatyev said. Russians are allowed to buy and sell gold ingots and coins, but they are not refunded for a 20 per cent VAT they pay when buying gold.



Abdul Muktadir, Director (Operations) of the Beximco Chemical Division, inaugurates the 'Annual Sales Conference-1998' of Beximco Pharmaceuticals Ltd and Beximco Infusions Ltd at a city hotel yesterday.

BJP-led govt under fire for subsidy cuts

NEW DELHI, Jan 30: India's coalition government today faced widespread criticism for slashing huge state subsidies on food-grains and fertilisers, with a key ally threatening to withdraw its support, reports AFP.

Prime Minister Atal Behari Vajpayee's Hindu nationalist Bharatiya Janata Party (BJP), however, defended the decision which is expected to help "cut the ballooning fiscal deficit."

But the opposition as well as government allies lashed out at the Hindu nationalists calling Thursday's move an assault on the millions of poor in the country.

The Telugudesam Party, which backs the ruling coalition from the outside, said it was contemplating withdrawing its legislative backing to the minority government in the hung parliament.

The Indian Express newspaper said the party would take a final decision Tuesday.

The Indian government, facing a mounting financial crisis, decided on the subsidy cuts in a bid to save 50 billion rupees (1.2 billion dollars) to help reduce the fiscal deficit.

The decision means that prices of foodgrains sold through the state-owned public distribution network would go up between 30 and 80 per cent and the price of urea fertiliser would rise 11 per cent.

Indian governments and parties are traditionally wary of doing away with subsidies which affect the mass of poor and middle class for fear of losing their votes.

Around 320 million Indians, or one-third of the country's population, live below the poverty line.

People below an official poverty line are estimated to earn income providing less than 2,400 calories a day in rural areas and less than 2,100 in cities.

The main opposition Congress Party described the rise in food prices an "unprecedented hike," party spokesman Ajit Jogi asked: "Why should the poor pay for this government's in efficiency and mismanagement?"

Other opposition parties echoed the Congress view, and threatened to launch street protests. The Congress said the issue would figure in a big way when parliament convenes in February for the budget session.

WTO puts forward blueprint to settle banana trade dispute

GENEVA, Jan 30: The European Union and the United States were presented on Friday with a blueprint for a way out of their banana row which has paralysed the World Trade Organisation (WTO) and created a crisis for its authority, says Reuters.

Officials from the EU and Caribbean states which benefit from Brussels' banana import and marketing regime said the plan, put up by WTO Chief Renato Ruggiero, was generally acceptable as a solution to the immediate impasse in the trade body.

But there was no firm word from the US side, which had agreed to an earlier Ruggiero proposal. Some diplomats said the latest ideas might not be to the US liking.

The WTO Director-General, who step down in April after four years in his post, called the ambassadors of the trading superpowers to his office to go over his plan, and they were understood to be still arguing over detail and hour later.

The banana row, originally about the EU regime, has degenerated into what one official called 'a street fight' over procedure in the WTO and how the four-year-old body operates in enforcing its rules in trade disputes.

In the past few days, ambassadors from many of its 133-member countries have openly voiced fears the WTO was being pushed towards a systematic collapse which could have incalculable effects on trade and the global economy.

In a heated session of the WTO's Dispute Settlement Body (DSB) late on Thursday, many envoys called on both powers to end the squabbling for the sake of the organisation's future and of all its members, rich and poor.

Hanging over the procedural argument was a US decision to impose tariffs worth 520 million dollars a year on a range of EU products from porkmeat through Cashmere sweaters to biscuits in that next few weeks unless the banana regime was changed.

The prospect of such a move has sent slivers through a wide range of firms, both large and small, in most of the EU's 15 members states who export to the United States, and to US companies who import and market these goods.

Washington insists that it has the right under WTO rules to impose the sanctions because, it says, the EU has failed to bring the banana regime into line with a panel finding in 1997 that it violated free trading accords.

Brussels says a new version of the regime introduced from January 1 meets the panel objections.

For two weeks, both have been arguing over the timing for the three-member of that panel to come up with a ruling on the revamped regime — and for arbitration on the amount of the trade loss the United States says it has suffered.

But the EU also insists that the DSB, which under procedural rules in supposed to give its formal approval for the sanctions, cannot consider a US request for the green light until the panel has handed down its finding, in early April.

Another issue that has raised fears among most WTO members is the appearance given by the United States of wanting to impose a right to determine unilaterally — a dreaded word in the WTO lexicon — if trading partners are not playing fair.

Under Ruggiero's latest plan, the two powers would agree to take the strict banana issue out of the WTO and start quick bilateral negotiations on how to resolve it — leaving open the timeframe for allowing US sanctions to go into place.

Venezuelan oil basket price goes up

CARACAS, Jan 30: The Venezuelan oil basket price increased 20 cents per barrel in the past week, moving from $ 67 US dollars to 8.87 dollars per barrel, says Xinhua.

The average of the Venezuelan crude basket went up to 8.97 dollars per barrel in January, a 96 cent increase over last December, according to the energy and mines ministry's preliminary figures.

The Venezuelan basket of crude and by-products closed at 10.63 dollars per barrel at the end of 1998, 31.4 per cent down from the beginning of the year.

The most realistic calculation for the average price of the Venezuelan crude exports is nine dollars per barrel in the calculations of the 1999 national budget.

Oil prices have dived since 1997 because of the Asian economic crisis erupted and the oversupply of crude oil in the world market.

The oil price drop last year meant a 36 per cent loss for the organisation of Petroleum Exporting Countries (OPEC) producers and some OPEC countries do not want this situation to be repeated this year.

Commodity: Weekly Roundup

Oil unchanged on US move to rein in production

LONDON, Jan 30: Crude oil prices closed largely unchanged this week after early losses were reversed following an announcement that several US refineries would scale back production, reports AFP.

Brent North Sea crude prices on the International Petroleum Exchange (IPE) remained unchanged at 11 dollars a barrel.

Light sweet crude prices in the New York Mercantile Exchange (NYMEX) were also flat at 12.45 dollars a barrel from 12.46 dollars.

US group UDS said that it was going to reduce output by 10 per cent from February because of the current low prices.

Tosco, another US company, also said that it would rein in production at its refineries by 10 per cent.

Dealers took heart from a hiccup in supplies from Iraq, which fell below two million barrels per day in December because of the anglo-US military strikes against Baghdad.

RUBBER: Soft. Rubber prices weakened amid extremely low demand in the run-up to the Chinese new year.

The RSS1 index on the Kuala Lumpur market fell to 2.70 ringgits a kilo from 2.89 ringgits previously.

On the London market prices fell to 512.50 pounds per tonne for February delivery and 517.50 pounds for March, from 575 pounds and 532.50 pounds respectively.

COCOA: Cool. Cocoa prices fell under a flurry of producer selling and a rise in the value of the pound which made contracts more expensive to overseas investors.

Cocoa for May delivery on the London market fell to 913 pounds per tonne from 932 pounds.

The strength of sterling made numerous investors steer clear of the market.

Meanwhile, low consumption levels also weighed down prices. Countries such as Russia have seen a slump in demand during the economic crises in numerous emerging market countries.

Demand in Brazil was thought likely to fall in wake of the country's currency devaluation and market turmoil.

However, dealers predicted that prices might rise in coming sessions in the light of a slowdown of arrivals at ports in Cote D'ivoire the world's leading producer country.

TEA: Light. Tea prices fell in the Mombasa auction houses despite strong demand, London Tea Brokers Association said. High quality BP1 leaves fell by five to 15 cents a kg.

Medium quality brews fell by between two and 10 cents per kilo.

COTTON: Light. Cotton prices fell because of official figures showing light demand in December and speculative selling by US producers.

Prices were eroded early in the week by fears that China, an important cotton producer, might devalue its currency in the wake of the Brazilian devaluation. Beijing has since ruled out such a move.

Analysts predicted that the area given over to cotton plantations in the United States would increase by at least 500,000 acres (202,500 hectares) in 1999/2000 to about 14.2 million acres.

The cotton outlook index covering cash prices fell to 55.40 cents a pound from 55.70 cents.

WOOL: Cold. Wool prices in Australia fell amid low demand as Chinese buyers stayed away ahead of the Chinese new year.

The eastern index fell by 15 cents to 5.02 Australian dollars a kilo.

KL currency controls to stay unless speculation curbed: Mahathir

KUALA LUMPUR, Jan 30: Malaysia's prime minister said his government will not dismantle currency controls imposed last year as long as world economies do nothing to curb currency speculation, news report said Saturday, reports AP.

The tough measures, introduced last September, effectively halts offshore trading of its currency, the ringgit. It also places curbs on taking money in and out of the country.

The controls will remain in place until the international community devises a new financial regime which curbs the activities of currency traders, Prime Minister Mahathir Mohamad was quoted as saying by the state-controlled New Straits Times daily.

Mahathir said the chances of recovery had been made brighter by his policy of shielding the economy from currency traders, whom he blames for wrecking Southeast Asian economies over the past 18 months.

Some analysts warn that the move has hurt Malaysia's ability to lure foreign investors.

Supporters of Mahathir's ousted deputy and finance minister Anwar Ibrahim have also accused the government of using the capital controls to spread cronyism and Mahathir of trying to bail out family and friends.

The 73-year-old prime minister, Asia's longest-serving ruler, remains unfazed by the criticisms.

"Even the great Unites States of America would go under if the dollar is devalued by 50 per cent and the Dow Jones plummets to two thousand points," he told world leaders and business leaders at the World Economic Forum in Davos, Switzerland.

Malaysia's economy slid into recession last year after nearly one decade of growing at an average of 8 per cent.

Malaysia is small. Its economy is not important to the world," he said with his customary sarcasm. "Whether we are destroyed, whether our people are hungry or they riot and self-destruct is of no concern to the world."

Since this is the attitude of the world, Malaysia would be wasting its time hoping for the global financial system to restructure itself, Mahathir said.

Metal: Weekly Roundup

Gold, silver, copper prices fall

LONDON, Jan 30: Copper and aluminium prices crashed over under the weight of a massive build-up in market reserves and a general sense of gloom on the base metals market sparked by fears of reduced economic growth around in world, says AFP.

Copper slumped to a 12-year low point after stocks surged to a 21-year high, and aluminium hit its lowest level on the London Metal Exchange (LME) for five years.

A rise in the value of the dollar hit demand for the dollar-traded metals, while the ill winds blown in from Brazil heightened fear that demand would remain subdued in emerging market countries around the world.

The deadly earthquake in Colombia set coffee prices alight early in the week, but the market returned to calm once it became clear that plantations in the pulverised coffee-growing region had been spared major damage.

GOLD: Dull. Gold prices fell after a sharp rise in the value of the dollar against the main international currencies.

The gold spot price on the London Bullion Market fell to 285.95 dollars an ounce from 287.55 dollars one week earlier.

The yellow metal enjoyed some technical buying early in the week, but ended lower because of the strength of the dollar, which made dollar-denominated contracts relatively more expensive to international buyers.

In particular, Asia investors were kept away from gold after the dollar shoot up against the yen.

Other investors were attracted to the high yields of the dollar and away from gold.

For these reason, old did not enjoy its usual safe-haven status at times of international financial instability, unleashed this time around by Brazil.

SILVER: Slipper. Silver prices fell amid extremely low trading volumes as investors snapped up dollar contracts in favour of precious metals.

Prices on the London bullion market fell by seven cents to 5.08 dollars an ounce.

Prices recovered late in the west, when buyers from the world's biggest consumer country, India, came back onto the market.

PALLADIUM AND PLATINUM: Split. Palladium prices continued to rise amid ongoing concern over exports from Russia, while platinum fell back on speculative selling.

Some dealers said that Russia had already signed a new batch of export licences, but others said that bureaucratic delays were likely to hold back any fresh deliveries of metal.

Stalled palladium exports from the world's leading producer country spiked prices sharply higher in 1997 and 1998.

On the London palladium and platinum market, palladium cash prices rose by 8.50 dollars to 329 dollars an ounce, while platinum prices fell by 11.50 dollars to 342 dollars an ounce.

COPPER: Plummet. Copper prices fell to a 12-year low after a continued build-up of London Metal Exchange (LME) reservers, which rose to their highest level for 21 years and fell just short of an all-time high this week.

Three-month prices fell by 36.50 dollars to 1,427 dollars per tonne.

LME stocks rose by a bumper 28,095 tonnes to 643,900 tonnes, the highest level for 21 years. The figures was just 2,000 tonnes short of the market's all-time reserve high.

As if the real rise in LME reserves was not enough to blight prices, dealers predicted that the market would be swamped by a flood of metal from Chile in the coming months.

A rise in the value of the dollar also hit prices since it makes the dollar-denominated contracts relatively more expensive to overseas investors.

LEAD: Heavy. Lead prices fell slightly on technical trades amid extremely light trade.

Three-month prices fell by 4.50 dollars to 487.75 dollars per tonne.

ALUMINIUM: Slump. Aluminium prices fell to a new five-year low on the London Metal Exchange (LME) this week as market reserves continued to build.

Three-month prices fell by 12 dollars to 1,203.80 dollars per tonne, a low point since January 1994.

LME stock, meanwhile, rose by 19,350 tonnes to 796,075 tonnes, their highest level since may 1997.

The increase in stocks and the bleak macro-economic outlook around the world undermined already weak market sentiment.

Some dealers feared that China would be swept up into the emerging market crisis felt most strongly at present in Brazil.

Dealers feared that China might swamp the market with supplies if it was forced to devalue the yuan, even though such a move was ruled out by Chinese central bank officials.

Rudolf Wolff trading house predicted that prices might fall as low as 1,200 dollar per tonne in the coming sessions as market supplies mushroom.

China said that its national capacity would increase by 192,000 tonnes from development of new production sites.

NICKEL: Slip. Nickel prices fell amid the gloomy economic outlook identified so clearly in Brazil and after the rise in the value of the dollar against the yen, which made dollar-denominated contracts more expensive for overseas investors.

Three-month prices fell by 100 dollars to 4,277.50 dollars per tonne.

Speculative investment funds quit the market, hitting prices further.

TIN: Tumble. Tin prices were swept lower amid the general market concern that China would seek to increase exports to bolster foreign currency reserves.

Three-month prices fell by 15 dollars to 5,137.50 dollars per tonne.

China announced this week that it had exported 53,573 tonnes of tin in 1998, 30 per cent more than in 1997.

ZINC: Fall. Zinc prices were swept slightly lower by the downbeat trading sentiment on the LME, despite a fall in market stocks.

Three-month prices fell by 7.75 dollars to 965.50 dollars per tonne.

LME reserves fell by 4,250 tonnes to 314,050 tonnes.

The Korea zinc producer announced that it was due to complete construction of a refinery in townsville, north east Australia, with an annual output of 170,000 tonnes by the end of the year.

SCB, Sheraton sign priority service deal

Standard Chartered Bank (SCB), Bangladesh and Sheraton Hotel signed a priority banking service agreement recently, says a press release.

Majedur Rahman, Head of Consumer Banking of Standard Chartered Bank and San Amalan, General Manager of Dhaka Sheraton Hotel initialled the accord.

Under the agreement, the priority banking customers of Standard Chartered Bank will enjoy special benefits from Dhaka Sheraton Hotel. The bank introduced priority banking in Bangladesh as a special service package for its consumer banking customers.

Priority banking is offered by Standard Chartered in 16 other countries of the world, the release added.

Majedur Rahman, Head of Consumer Banking, Standard Chartered Bank, and San Amalan, General Manager of Dhaka Sheraton Hotel, sign a priority banking service agreement on behalf of their respective organisations recently. — Unitrend photo

'Euro should boost European move towards political integration'

DAVOS, Switzerland, Jan 30: Europe's new single currency should accelerate the continent's movement towards political integration, European commission head Jacques Santer and Bundesbank chief Hans Tietmeyer said today, reports AFP.

Both man, speaking at the World Economic Forum (WEF)'s annual meeting in the Swiss ski resort of Davos, added that they were in favour of an EU constitution to clarify the Union's framework as it prepares to expand.

"The Euro is a very mighty factor for economic integration, but has to be a mighty factor for political integration," Santer told the WEF meeting, which gathers some 1,000 top business leaders and over 250 politicians.

"The currency is always the expression of some identity. We have to deepen our political integration further, because the two are linked," he added.

Tietmeyer, sitting next to him, agreed that the Euro "must be accompanied by further political integration" but said that "in the long run we need a clarification of responsibilities.

"Probably we need a constitution, but that's probably going too far for a central banker to ask for," he said.

Santer agreed: "As regards a constitution, yes, we have to work on it to go in this direction and to have some clarification about the mission of the European Union," he said.

The WEF meeting is an annual gathering of the world's political and business elite to take the pulse of the global economy. The theme of this year's meeting is "responsible globality."

Indian shares to surge next week

BOMBAY, Jan 30: Indian shares are expected to rise cautiously next week ahead of the national budget due at the end of February, stock brokers said, reports AP.

The barometer 30-share sensitive index on the Bombay Stock Exchange (BSE) was up 17.71 points, or 0.4 per cent to 3,315.57 points at close of trade Friday over the previous week's close.

The broad-based National Index, tracking 100 shares, was up 3.18 points, or 0.2 per cent to 1,461.52 points at close of trade Friday over the previous weeks close.

"Next week will be a mixed bag, with rise and corrections," said broker Gaurav Sanghvi, no major rise is expected and they word will be caution as speculation begins on the budget.'

Brokers said select stocks were expected to move up, while others were expected to be depressed or move down.

"Computer software stocks are expected to soften further as the market feels several of them are highly overpriced," said broker Ajit Ambani. Domestic operators are wary of taking fresh positions in these stocks.

Brokers said the focus of the market's attention next week would be the national budget scheduled to be tabled in parliament on February 27.

Finance Minister Yeshwant Sinha has warned his budget would have "no soft options and appealed for a cross-party consensus to help wean the country away from subsidy culture."

On Thursday, the government cut foodgrains and fertiliser subsidies worth 50 billion rupees (1.2 billion dollars).

Broker Ambani said the market expected an industry and stock market friendly budget despite the slash in subsidies and other "jhash measures" likely to be announced by Sinha.

"There has been a lot of lobbying going on by industry for concessions to revive the stock market and industry," he said.

"Meetings have been held between industry representatives and the government, the market will be very disappointed if the budget does not reflect most of the demands put forward at these meetings."

Ambani said the BSE index was expected to post a net gain of between 100 and 150 points.

Brokers said foreign portfolio investors, known to lead the market with major purchases of shares, were unlikely to participate in the speculative buying ahead of the budget.