

OPEC ministers for compliance with lower output quotas

VIENNA, Mar 22: OPEC ministers eager to end a global oil glut are hopeful that oil exporting nations will abide by production cuts designed to slash total output by more than 2 million barrels a day, says AP.

The new quotas, which are to begin April 1, would remain in effect for a full year, Venezuelan Oil Minister Ali Rodriguez said ahead of Tuesday's meeting of the Organization of the Petroleum Exporting Countries.

The meeting is expected to result in formal approval of production cuts agreed upon earlier this month.

"We are here... to save the situation of the collapsing prices of oil. That is our main objective," Iraq's Oil Minister Amer Mohammed Rasheed said Sunday after arriving at a Vienna hotel.

Excess supply and a weak demand for winter heating oil sent prices plunging to 12-year lows late last year. Although consumers have benefited from

cheaper oil and gasoline, the soft market has inflicted economic pain on producers, including non-OPEC members Britain, Norway and the oil-patch American states of Texas and Louisiana.

Prices finally began surging two weeks ago, when representatives of OPEC's three biggest members — Saudi Arabia, Iran and Venezuela — along with Algeria and non-member Mexico agreed at a meeting in The Hague, Netherlands, to reduce output.

On the New York Mercantile Exchange, crude oil for April delivery rose 24 cents to \$15.46 a barrel on Friday. In comparison, crude was trading at about \$12 a barrel a month ago.

Under the deal reached at The Hague, Saudi Arabia, which currently produces more than 8 million barrels a day, will take the biggest cut 585,000 barrels. No 2 producer Iran will pump 264,000 fewer barrels a day, while Rodriguez confirmed that

Venezuela will trim daily output by 125,000 barrels.

Saudi Arabian Oil Minister Ali Naimi, speaking after arriving at a hotel, said he expected full compliance with the new, lower levels of production.

OPEC estimates the current output of its 11 members at 27.66 million barrels a day. At this level, supply exceeds demand by about 500,000 barrels, according to the Paris-based International Energy Agency.

The success of OPEC's effort to buoy prices by pumping less oil depends upon the compliance of each member, Rodriguez said. Cheating has been a chronic problem for the group.

Iraq, one of the last OPEC members to confirm the size of its planned production cut, will pump 96,000 fewer barrels a day beginning April 1, said Libyan Oil Minister Abdalla Salem El-Badri.

"I hope that everybody will abide by the agreement," El-Badri said.

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Rise in oil prices not all good news for Gulf

DUBAI, Mar 22: The rise in oil prices is not all good news for the Gulf Arab petro-monarchies, experts said ahead of Tuesday's OPEC conference to ratify production cuts, reports AFP.

They said a sustained price recovery would revive projects in rival fields such as the Caspian, slow down an economic revival in Asia and could also prompt Gulf states to shelve economic reforms.

But "Gulf states want to turn to pressing matters. They need the money to finance development projects," said the adviser of a state oil company in the region, contacted from Dubai.

"The only way is to get that for now is to raise prices."

Saudi Arabia spearheaded a campaign which culminated on March 12 with an accord in the Hague between OPEC and non-member states to slash more than two million barrels a day off world output to reverse the collapse in oil prices.

Ahead of the Organisation of

Petroleum Exporting Countries meeting in Vienna on Tuesday, Gulf Arab oil ministers endorsed the accord at talks in Abu Dhabi, pledging to make half of the cuts.

Saudi Oil Minister Ali Ibn Ibrahim Al-Nuaimi set the target at reaching a price of between 18 and 21 dollars for a barrel of West Texas intermediate, or the equivalent of almost 16 dollars a barrel for the basket of OPEC crude.

That would be four dollars a barrel higher than the average price in 1998.

"The Saudis have turned back to the logic of price controls, after more than a year of following a policy of gaining market shares," said Naji Abi Aad, an adviser at the France-based Observatoire Méditerranéen De L'énergie.

The collapse of prices, which even dipped below 10 dollars a barrel at the end of 1998, slashed the revenues of OPEC states by 35 per cent.

For the Saudi kingdom, the

world's top producer and exporter, the collapse was to blame for negative growth of 10.8 per cent and a deficit of 12.2 billion dollars.

Despite the short-term economic costs, Gulf states would have been able to take advantage of low prices to nibble away at market shares at the expense of more costly oil fields in the Caspian Sea, Venezuela and North Sea.

The price fall put into question the profitability of Caspian projects. But a recovery will give them a new lease of life," said Abi Aad noting Caspian production costs are 7-8 dollars a barrel compared to 1-2 dollars in the Gulf.

Abi Aad also pointed to the impact of price rises on the energy-hungry Asian economies.

The more prices rise, the more it will slow down the recovery of Asian economies, thus delaying increased demand and real improvement on the oil market," he said.

M A Awaal, Deputy Managing Director of Arab Bangladesh Bank, hands over certificates to the Probationary Officers of the bank at the concluding function of the BIBM-conducted induction course yesterday. Dr Muinul Islam, Director General of BIBM (3-L), chaired the function. Arif Quadri, ABBL VP, and MD Nurul Islam and Sharmin Morium, members of BIBM faculty, are also seen in the picture.

—ABBL photo



Kay Kraft, one of the leading designwear houses, organised an Eid fashion exhibition at Alliance Francaise yesterday.

—Star photo

Thai economy may start recovering in mid-'99

BANGKOK, Mar 22: Thailand's economy could achieve a turn-around in mid-1999 with capital inflows to be generated by the sale of three banks and the upgrading of the country's credit rating, Thai Deputy Prime Minister Supachai Panitchpakdi said, reports Xinhua.

Thailand would sell off the Randaesin Bank, Bangkok's Metropolitan Bank and Siam City Bank to foreign banks to bring competition and credit extension to cash-strapped Thai businesses, Supachai said in remarks made public here.

Supachai, also Commerce Minister, said the authorities were considering relaxing some reserve requirements for the banks being sold as well as to possibly delay reserve requirements for non-performing loans (NPL) by two or three quarters as incentives to buyers.

The sale of the banks will be a turning point for the economy. The credit-rating agencies are watching us closely and we have a greater chance after the

Course on lease financing begins at DCCI

Star Business Report

A 5-day training course on 'Lease Financing in Daily Business' has begun at the Doha Chamber of Commerce and Industry (DCCI).

It was organised by the Business Advisory Service (BAS) project of DCCI in collaboration with German Technical Cooperation (GTZ).

The credit ratings were up from lower grades to the current BI foreign currency country ceiling for bonds and notes.

Supachai also said that it was ripe time for Thailand to return to the international capital market by issuing global bonds.

He said the government has programmes to assist small- and medium-size enterprises as part of a plan to salvage the banks' NPLs.

Referring to his earlier proposal that the government issue bonds to banks in buying their NPLs, Supachai said it was a complementary option that should be further explored — especially with regard to the sale of the three banks.

The DCCI acting President said in western countries as well as in our neighbouring countries, lease financing is very popular for business and industry financing.

The Dow Jones industrial average beat 10,000 points three times last week, but lost 9,030 to finish on Friday at 11,850.

The Nikkei stock average of 225 leading issues climbed 660.86 points Friday to end at 16,378.78 rising 5.7 per cent from a week earlier to its highest finish in eight months. The yen briefly touched a high of 116.90.

With further rises in the Nikkei expected by investors, a senior currency dealer with a French bank in Singapore said the dollar could test lower levels this week, which would give Asian currencies further respite.

"I feel the dollar-yen is still

bearish. It may set down to 116, and the topside will be capped around 118.50," he said. "It's a technical thing. The chart is bearish on the dollar so people just follow."

Chua Soon Hock, chief strategist at the Sanwa Bank in Singapore, said the Japanese stock market "is now in the process of reversing its nine-year-old bear market" which began after the Nikkei peaked at 39,930 in January 1990.

"The immediate six-month target for this major reversal will be 18,000," Chua said.

ANZ Investment Bank said a poll of largely US and British fund managers showed they expected the yen to be "quite well supported because of the newly found optimism in Japan."

Chua attributed the "budding bull" to consistent expansionary monetary and fiscal policies being adopted by Tokyo a

year ago.

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dollars in New York late Friday, up sharply from 118.70 per dollar the week before and 122 levels two weeks ago.

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