

# China, EU to accelerate talks on Beijing's WTO entry

BELJING, May 6: China and the European Union (EU) have agreed to speed up negotiations on the mainland's entry to the World Trade Organisation (WTO), state media reported today, says AFP.

Chinese premier Zhu Rongji at a meeting with visiting European Commission Vice President Sir Leon Brittan expressed appreciation for EU support, the China Daily reported.

Both sides agreed to accelerate the pace of negotiations and exchanged views on Sino-EU trade and economic relations.

Brittan, who arrived Wednesday on a two-day mission to bring fresh impetus to

the discussions, held meetings with Chinese officials, including State Councillor Wu Yi and Foreign Minister Tang Jiaxuan.

The talks continued into the evening and he was deep in conversation with Foreign Trade and Economic Cooperation Minister Shi Guangsheng at a reception organised by the European Union in a Beijing hotel.

Neither side would comment on whether the intense talks were likely to lead to an accord during a China-EU summit next week in Beijing.

The EU and the United States want to agree terms to enable China's entry before the

start of a new Millennium Round of multilateral trade talks in late 1999, Brittan said earlier in a statement.

He told China he would press for European priorities which have not yet been met.

"If we obtain satisfaction on these issues, there would be no political obstacle for us to China's membership," he said, adding the EU would then do everything in its power to ensure China's accession in 1999.

"By the same token, however, we could not agree to China's membership if our legitimate concerns are not sufficiently met, however much progress is made elsewhere," he

warned. Outstanding issues include further progress in reducing tariffs and eliminating tariff peaks on products ranging from automobiles to cognac and gin, cosmetics, leather furniture, glass and ceramics.

The EU also wants the right to establish branches for life insurance, majority foreign ownership in basic telecoms, and firm commitments to enable European banks to trade in the local currency and securities.

An improvement in conditions for foreign law firms operating in China is sought, an EU statement said.

HONG KONG, May 6: The big guns have returned to Asia, buying blue chips and prompting a spurt of rotational buying that has broadened out the regional rally, analysts said, reports Reuters.

But some warned of a possible correction in Seoul shares, whose year-long rise has helped spur gains elsewhere.

Foreign funds are opting for liquidity in Asia, buying the biggest blue chips rather than stocks with the best restructuring track record or those with the best valuations, analysts said.

This has allowed local and retail investors to switch out of blue chips in search of laggards, in the process generating huge volumes and helping to broaden out the market strength.

"This is no longer just Asian-dedicated funds, we're seeing global funds as well."

said Dan Fineman, strategist at Jardine Fleming Securities. "And it's no longer reallocation; it appears they're gearing up to find cash to put in fresh funds."

Bill Overholt, Asian strategist at Nomura International, said his company's order book reveals a fast rise in foreign fund flows, which suggests markets will rise much higher than Asian interest rates at lower levels than before crisis struck.

The foreigners are just beginning to come in, so this is something that could go for a while," Overholt said.

Markets such as Hong Kong have shown increasingly broad strength, and smaller regional markets in Bangkok and Jakarta are gaining on spillover strength from the three rally leaders so far: Hong Kong, Singapore and Seoul.

That's what makes all of

this so powerful," said Fine- man. "It's a combined effort."

Peter Perkins, strategist at Daiwa Research International, said that while foreign fund flows are notoriously difficult to track, one bellwether indicator is the premium on foreign designated shares around the region.

The Bangkok Bank BBL BK foreign share premium had risen from 27 per cent in February to 67 per cent on Tuesday — its highest in five years.

Analysts are increasingly calling for a correction in the market that led the entire region out of the doldrums, and continues to report higher volumes — \$4 billion a day — than anywhere else in Asia apart from Tokyo.

"Given the state of the economy, there's incredible exuberance towards shares, said Perkins, noting the rising

number of statements of concern by public officials.

The South Korean government itself has got into the act, with Finance Minister Lee Kyusung warning on Thursday that investors should be cautious toward the market rally.

Jardine Fleming's Fineman said second quarter gross domestic product figures could disappoint, triggering a correction. Other problems include the Daewoo DWGR.CN — restructuring, and stumbles in Newbridge Capital's acquisition of Korea First Bank 0010.KS.

But following Monday's break of the 11,000 barrier by the Dow Industrials, global liquidity is expected to continue lifting most Asian stock markets skywards.

Analysts said that without a reversal in the US market, any Asian correction would likely be short-lived.

## Exchange Rates

Following are yesterday's Standard Chartered Bank rates of major currencies against Taka:

Central Bank USD/BDT Rate: Buying - BDT 48.35/Selling - BDT 48.65

Selling

TT/OD BC

TT Clean OD SIGHT OD TRANSFER

48.7300 48.7700 USD 48.3200 48.1599 48.0758

0.4156 0.4160 JPY 0.3919 0.3906 0.3899

32.4585 32.4852 CHF 31.3400 31.2361 31.1210

28.9319 28.9566 SGD 28.0067 27.9139 27.8662

34.1127 34.1407 CAD 32.8819 32.7730 32.6491

5.7847 5.7894 SEK 5.7035 5.6846 5.6727

33.2046 33.2319 AUD 30.9683 30.8657 30.6675

12.9432 12.9539 MYR 12.5991 12.5573 12.5256

6.3038 6.3090 HKD 6.1276 6.1972 6.1840

13.0633 13.0741 SAR 12.8146 12.7721 12.7397

13.3415 13.3525 AED 13.0839 13.0405 13.0072

0.0407 0.0406 KRW 0.0404 0.0402 0.0402

79.5761 79.6414 GBP 76.9399 76.6850 76.4068

52.6040 52.6472 EUR 50.2190 50.0526 49.9651

Usance Export Bills

TT DOC 30 days 60 days 90 days 120 days 180 days.

48.2204 47.9228 47.5257 47.0690 46.5275 45.4605

Exchange rates of some Asian currencies against US dollar

Indian Rupee Pak Rupee THAI BAHT Magl. Rupiah Indo. Rupiah Sing. Dollar

42.64246 50.185026 37.42/37.52 3.7999/ 8650/8925 1.7231/724

US dollar

Buying Selling

1 Month 3 Months 6 Months 12 Months

Cash notes 48.15 48.75 USD 5.62875 5.28063 5.15813 5.15609

TC 48.1 48.7 GBP 65 6.34813 6 5.67531

Market Commentary

The demand for dollar remained steady in the local foreign market on Thursday. In the interbank market, dollar traded in a narrow range of BDT 48.65 to BDT 48.66. The call money market was in an elevated state and call rate ranged between 9.5 to 10.5 per cent.

In the kurb market, cash US dollar notes traded between BDT 49.40 and BDT 49.60.

At 1615 hours local time, USD traded at 120.63/68 JPY, GBP at 1.6355/60 USD and euro at 1.0804/10 USD.

## Oil prices surge to 17-month high

NEW YORK, May 6: Oil prices climbed to 17-month highs yesterday, but oil company shares fell, reflecting Wall Street's feeling that the oil market may be overheating, analysts said, reports Reuters.

On the New York Mercantile Exchange (NYMEX), crude oil for June delivery traded as high as \$19.80 a barrel for the first time since early December 1997.

It settled at \$18.90, gaining just six cents on the day, but overcoming an early fall of nearly 50 cents as the market thumbed down an unexpected increase in gasoline stocks last week which offset a moderate drop in crude inventories.

"The day's closing shows this is a classical bull market," said Bill O'Grady, an analyst at A.G. Edwards.

"You just can't keep it down, no matter what," he added.

Oil shares ended lower as equity traders "felt uncomfortable over the oil market's sharp rise and that a correction was coming," said Fadel Gheit, an analyst at Fahnestock & Co.

Gheit's comment added to concerns raised earlier by other analysts, who say the oil market's long rally may already be flagging.

The Standard & Poor's International Oil Index, which tracks major integrated oil companies, slipped 11.90 points or 1.17 per cent, to 1,000.88.

Among the oil majors,

Exxon Corp. XON, N, ended down \$1.625 at \$84.8125. Mobil Corp. MOB N, which Exxon is acquiring, fell \$1.9375 to \$106.4375. Atlantic Richfield Co. ARC N slid \$1.4375 to \$85.0625 and Chevron Corp. CHV N finished \$0.25 lower at \$100.0625.

Other oil sector indices declined. The S&P Oil & Gas Refining Index dropped to 123.87 points, down 1.22 points, or 0.98 per cent, while the Philadelphia Oil Service Index slid 0.52 points or 0.65 per cent, to 79.15.

Despite the day's performance, Fahnestock's Gheit thinks there is still some room for an upside move among oil shares.

He said a sectoral rotation is going on in the stock markets as investors move holdings out of volatile quarters, such as Internet equities, to cyclical or industrial-based stocks, including oil equities, Gheit noted.

In the futures market, traders await firm data from the major producers on how they carried out pledges to cut production under an agreement reached in March.

So far, preliminary reports point to a high rate of compliance for April, the first month of the agreement's implementation. Still, analysts say convincing evidence of deep cuts needs to be seen soon. Otherwise, the market may be in trouble, they added.

## Australia may ban non-Y2K compliant airlines

CANBERRA, May 6: Airlines could be banned from flying into Australia if they are found to be at risk of the year 2000 computer bug, the nation's aviation safety watchdog said Thursday, reports AP.

Civil Aviation Safety Authority director of aviation safety Mick Toller said all airlines operating in Australia would be checked for Y2K compliance in the next few months.

"All foreign airlines operating into Australia require an Air Operators Certificate," he told a Senate estimates hearing.

"One of the issues that we will be reviewing before the end of the year will be Y2K compliance for all airlines, both Australian and foreign, that hold Air Operators Certificates."

The bug affects older computers that use two digits to denote dates and may be unable to recognize the change from 1999 to 2000 at midnight on New Year's Eve.

Toller played down the risk to air travellers.

"There is a general sense of well-being at the moment that aircraft are not going to fall out of the sky," he said.

There are not any significant issues that have been identified other than in a few minor navigation systems in old aircraft which are not safety-threatening."

## 'ROK economy not out of danger'

PARIS, May 6: The South Korean economy is not out of danger even though "the worst of the financial crisis is behind us," South Korean President Kim Dae-Jung told the newspaper Le Monde here yesterday, reports AFP.

He also stressed that reform of conglomerates, so-called chaebols, was vital and that delay could threaten financial stability in South Korea.

"If reform of the chaebols is not carried through, the loans they have received will become new bad debts and a new financial crisis will be on the horizon," he warned.

Brazil Congress probing alleged central bank profiteering

BRASILIA, May 6: Congress opened an investigation yesterday into possible illegal profiteering by Brazil's central bank during a devaluation of the national currency earlier this year, reports AFP.

Senator Jader Barbalho, who set up the Parliamentary Investigative Committee looking into the banking sector, said the panel would focus on allegations the central bank sold cheap dollars just ahead of the real's devaluation to troubled private banks Marca and FonteCindam.

The committee would also investigate whether former central bank president Francisco Lopes gave the banks insider information.

The pro-government senator said seven other lines of inquiry that had prompted the committee's creation had been exhausted and were now in the hands of federal investigators.

President Fernando Henrique Cardoso yesterday suggested that the committee take no more than 120 days to wrap up its investigation.

On Monday current Central Bank President Arminio Fraga denied any wrongdoing by the bank, saying that the sale of dollars to Banco Marca were totally legal.

## Yen compatible with Japanese recovery: IMF

JAKARTA, May 6: International Monetary Fund Asia-Pacific director Hubert Neiss said today the yen's current levels were compatible with recovery in Japan and the rest of Asia.

"I think the yen around current levels is compatible with our forecasts of a recovery," Neiss told Reuters television in an interview, when asked whether the yen's level was in the best interests of recovery in Japan and Asia.

Neiss said he expected fiscal stimulus measures to continue into next year if private demand continued to lag.

## Global funds getting back to Asia

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