HK plan to merge markets suffers first setback

HONG KONG, July 17: Hong Kong's plan to merge its stock and futures exchanges suffered a setback with the two exchanges failing to agree on the terms of the merger by a government-set target date, says AFP.

The Stock Exchange of Hong Kong and the Hong Kong Futures Exchange had been asked to reach agreement by Thursday to help the government finalise the merger by March 2000 in a bid to make its financial markets more efficient and competitive.

The government on Friday issued a statement saying it was "gravely disappointed" that the exchanges and their associated clearing houses missed the target date.

"The policy paper published in March acknowledges the narrow window for reform and sets out a timetable for it under which the voting by members of the Exchanges on the terms of merger must take place by the end of September at the latest.

"In order to achieve this, an agreement must be reached between the governing bodies of the two Exchanges well in advance," a spokesman for the financial services bureau said in the statement.

However, the government said the heads of the exchanges had previously pledged their support for a merger, acknowledging the proposal would enhance Hong Kong's position as an international financial center.

"We still believe an agreement can be reached," the spokesman said. "We will keep in view closely any progress in further negotiations over the weekend and in the following week."

A spokesman for the futures exchange said both exchanges were still negotiating the terms and hoped to reach an agreement.

"We're doing all we can. We're very anxious to reach an agreement," he said.

The government had proposed merging the exchanges and clearing houses into a new publicly listed entity called the Hong Kong Exchanges and Clearing.

Local press report Friday said the two exchanges had differences over the valuation of the two exchanges and on how to share ownership of a proposed merged exchange.

Under a valuation plan put forward two weeks ago by Morgan Stanley, the futures exchange should get 47.8 per cent of the new entity, according to the South China Morning Post.

However, the stock exchange's adviser Merrill Lynch said in its plan that the futures exchange should get only 11 per cent, the Post said.

The government had urged the exchanges to end their differences by Thursday so both sides would have time to finalise a merger-proposal by August 5 and vote on the plan on September 13.

The merger is seen as necessary for Hong Kong to remain competitive in the context of similar moves around the world.

The exchanges in Amsterdam and Australia have become publicly listed. Singapore, Hong Kong's traditional rival in Asia, has also announced that its stock and monetary exchanges will be demutualised, merged and listed.

Taiwan bails its bourse out amid China frictions

CHINA, Taipei, July 17: Taiwan's government today marshalled huge state funds to defend the nation's stock market from lingering fears over frictions with China, helping the beleaguered index to recover from a steep, early drop, reports Reuters.

The benchmark TAIEX index fell more than 4.5 per cent in a white knuckled session, but ended with a loss of just 0.61 per cent after the Finance Ministry mobilised Taiwan's four top state funds to staunch the week-long sell-off.

"The four funds all agreed to hike their investments in stocks, which is expected to pour an additional T$360 billion (US$11 billion) into the stock market," the ministry said.

The move to marshal the state pension, labour pension, labour insurance and state postal funds followed Wednesday's pledge to form a T$500 billion market defence fund.

The index, which had been flying high on the wings of Taiwan's robust export-fuelled recovery, lost more than 13 per cent on the week after President Lee Teng-hui reawakened a decades-old row with Beijing over the island's political status.

Lee's new classification of Taiwan-China relations as being "state-to-state" infuriated communist China, which opposes any claims to sovereignty by the island and responded by repeating a long-standing threat to take the island by force.

Hong Kong's independent Ming Pao Daily, quoting unnamed sources, said China's army, navy and airforce planned joint excercises along its coast facing Taiwan, adding to unconfirmed Hong Kong reports on Friday of recent military activities.

Ming Pao said the drills were intended as a warning to Taiwan but their timing and other details were yet to be decided.

There was no official confirmation from Beijing.

Otherwise, Saturday brought relative quiet to the political row, which has sparked concern in Washington that regional stability was under threat.

The dispute has rippled through Asian financial markets, also hurting China's own markets in Hong Kong, Shanghai and Shenzhen.

But reports emerged on Saturday that local Taiwan politics might explain some of Friday's 6.4 per cent stock market loss, its biggest-one-day drop in nine years.

Local media and dealers said Taiwan's ruling Nationalist Party appeared to have done less than it might have to limit the losses because it wanted to tarnish the launch of a rogue presidential bid by a popular party insider, James Soong.

Japan to sponsor Egyptian power plant

CAIRO, July 17: Japan is to sponsor Egypt's first solar power station which should start producing electricity by 2001, Electricity Minister Maher Abaza said in remarks published today, says Reuters.

The Japanese government has agreed to donate $400,000 for technical and economic feasibility studies to be carried out on the project over the next five months as part of its environment programme, the semi-official al-Ahram newspaper reported.

Japan would then provide the necessary funds to build the power station, in the Toshka area of southern Egypt, using Japanese technology, he said.

The power generated by the station, tapping year-round sunshine, would be used to pump water to cultivate 10,000 feddans (42 square kilometres) in the desert with crops, besides providing power for residents of new towns and cities, Abaza was quoted as saying.

Toshka is the target of a giant 20-year national infrastructure project to irrigate and cultivate the area and create a new valley, which the Egyptian government hopes to develop sufficiently to ease population pressure from around the Nile Delta.

A Chinese couple look at a giant model of a new, upscale housing estate on display at a real estate exhibition on Wednesday in Beijing. Local governments across the country have been accelerating policies promoting the total commercialisation of China's urban housing -- which under decades of communism was owned by the state and given to all at little or no cost. In July last year, Beijing signalled the end of an era by permanently halting distribution of state housing. – AFP photo

Metal: Weekly Roundup

Gold still languishing at 20-year low point

LONDON, July 17: Gold prices continued to languish at or near 20-year low points amid continuing murmurs that central banks were offloading or seeking to offload the precious metal following the Bank of England's example, reports AFP.

Britain once again defended its decision to start selling half of its gold stocks and calls from South African mining bosses for the auction programme to be discontinued fell on deaf ears.

The price of gold on the London Bullion Market stood at 255.05 dollars an ounce on Friday afternoon from 258.40 dollars a week earlier.

The British sales have badly shaken the market and any slight uptick in prices is currently immediately followed by profit-taking, dealers say.

Tighter gold lease rates meanwhile would tend to indicate possible further sales by central banks, analysts said.

Even if the US Congress manages to stall International Monetary Fund (IMF) plans to sell gold to drum up funds to finance debt relief in poor countries, the upside will still be limited, analysts said.

SILVER: Silver prices fell sharply this week in the wake of gold and with few other fundamental factors to influence the market.

Cash prices on the London Bullion market fell by another 17 cents to 5.05 dollars an ounce.

PALLADIUM AND PLATINUM: It was a week of diverging fortunes for the platinum group metals, palladium benefitting from tighter supply as exports from Russia slowed, while platinum suffered from a lack of investor interest.

The palladium cash price gained eight dollars to 337 dollars an ounce, while platinum prices fell five dollars to 347.50 dollars an ounce.

BASE METALS: Solid. Base metal prices remained generally robust with some values still persisting at highs not seen for a year and more, as the prospects of dwindling output continued to loom large over the complex.

Copper levelled out, with three-month prices on the London Metals Exchange falling back slightly to 1,690.50 dollars from 1,697.50 a week earlier. The market was rather miffed at a sizeable jump in official reserves of the red metal, which swelled 7,350 tonnes to 767,100 tonnes.

Market players are still anticipating further US shutdowns, particularly after news later in the week that US Producers Asarco and Cyprus Amex are to merge to form the world's second largest producer after Chile's Codelco.

"Should we get confirmation of production cuts, look for cooper to resume its upside offensive," said the Rudolf Wolff brokerage in a research note.

Lead prices also pushed higher as official reserves fell and talk of the possible closure of Ireland's Tara mine hit the market. The facility has a capacity of 35,000 tones a year.

Three-month prices ended the week up 7.50 dollars to (512.25) dollars a tonne, while official reserves fell by 1,000 tonnes to 132,200 tonnes.

Three-month prices nudged ahead 5.30 dollars to 1,120.80 dollars a tonne as official reserves contracted by 2,325 tonnes to 295,600 tonnes.

Prices were likewise boosted by the possible closure of the Tara mine, which produces zinc as well as lead.

Aluminium prices advanced further to their highest level since April 1998 amid investment fund buying and a drop in official reserves.

Three-month prices rose 3.50 dollars to 1,439.80 dollars a tonne while official reserves contracted 6,350 tonnes to 745,075 tonnes.

The market was supported by the announcement that Ukraine's MHZ facility would cut back output by 20 per cent.

US Chamber chief ends historic visit to Cuba

WASHINGTON, July 17: US Chamber of Commerce President Thomas J. Donohue returned Thursday night from a historic three-day visit to Cuba with agreement from the Cuban government to allow further ties to develop between the US Chamber and the private sector in the Caribbean country, the US Chamber announced Friday, reports Xinhua.

Donohue's trip was a first for a leader of the US Chamber since the Communists seized power 40 years ago. During his visit, he met with President Fidel Castro and his top ministers, as well as street vendors and restaurant owners.

"After some back and forth, the Cuban authorities agreed that we would build our relationship along two avenues. We will deal directly with the self-employed and work with the Cuban Chamber of Commerce and its state-managed member corporations," Donohue said in a statement.

"The process of change has begun," Donohue said. "The most that can be said is that the regime is permitting certain activities and associations it had not permitted in the past.

In this small way the process of change in Cuba has begun and we ought to seize the opportunity to spur it on."

"We will be working with the Cubans over the next few weeks to flesh out the details on building relationships with both independent companies and public corporations."

EU tourism aid decision to hurt Pacific nations

SUVA, Fiji, July 17: A European Union decision to stop granting foreign aid to promote tourism would damage South Pacific economies which rely heavily on the industry, officials warned Friday, says AP.

The main tourism body for a dozen Pacific countries fears the EU decision will strip its member nations of almost all the funds they spend internationally on advertising and promotion as travel destinations.

Tourism Council of the South Pacific chief executive Levani Tuinabua said the new policy might work in the Caribbean and Africa, but failed to take into account the isolation and smaller size of Pacific nations.

"The European prescription will not work because the needs of the Pacific are quite different from the Caribbean and Africa," Tuinabua said.

In a new policy published last November, the European Union announced that tourism marketing and promotion would not qualify for foreign aid under the Lome Convention.

Funds formerly earmarked for tourism would instead be switched to "humane resource development," private sector assistance and environmental preservation projects.

Tuinabua said the change will cost the member states most of the US $1.5 million it spends annually on promotion and advertising and will strike at the heart of many Pacific economies.

The South Pacific should be treated as a special case because the region is far more isolated, smaller and poorer than African, Indian Ocean and Caribbean beneficiaries of European aid, he said.

A delegation of Pacific tourism ministers was considering visiting EU headquarters in Brussels to argue the case, he said.

The council expects that visitors to the region in 1999 will reach one million for the first time.

Foreign direct investment in Mexico rises

MEXICO CITY, July 14: Foreign investment in Mexico rose 52 per cent to 53.19 billion US dollars in the first half of 1999 from that of December 1998, said a Mexican Stock Market statement, reports Xinhua.

The statement said that in June alone, the increase in inflow of foreign capital via the stock market rose 5.9 per cent compared with the previous month.

The continuing foreign investment in the stock market was attributed to the behavior of the Mexican peso, which has been appreciating against the US dollar.

In June, the peso registered a rise of 2.69 per cent in value against the US dollar.

A 104-member delegation of the Association of Travel Agents of Bangladesh (ATAB) led by its President Dr HBM Iqbal, MP, left Dhaka Friday for Tashkent by an Uzbekistan Airways flight for a two-day annual conference of ATAB in Tashkent. Picture shows them at the Zia International Airport prior to their departure. — Uzbek Airways photo

ATAB team off to Tashkent for annual confce

A 104-member delegation of the Association of Travel Agents of Bangladesh (ATAB) led by its President Dr HBM Iqbal, MP, left Dhaka Friday for Tashkent by an Uzbekistan Airways flight for a two-day annual conference of ATAB in Tashkent, capital of Uzbekistan, says a press release.

Besides attending the annual conference, the ATAB team will visit places of historical interest in Tashkent and Samarkand.

This is the largest delegation from Bangladesh to visit Uzbekistan since the inauguration of the Uzbekistan Airways services a year ago.

The visit of the delegation, jointly sponsored by ATAB and Uzbekistan Airways, will help boost relations between Uzbekistan and Bangladesh.

Bid to generate confidence in ailing economy

Colombia prematurely announces acceptance of $3b IMF loan

BOGOTA, July 17 Colombia, in a desperate bid to generate confidence in its recession-hit economy, prematurely announced yesterday it had accepted a $3 billion loan from the International Monetary Fund, before talks had even started, reports Reuters.

Finance Minister Juan Camilo Restrepo unveiled what he said was a cut-and-dried IMF deal to a forum packed with international investors and analysts.

"The government and the Central Bank have accepted the offer made several times by the director of the International Monetary Fund of a precautionary line of credit for around $3 billion, which will allow us to consolidate and armour-plate the country's macroeconomic programme," Restrepo said.

In a subsequent telephone interview with the agency, the minister said that his comments were based on an offer of support from IMF Director General Michel Camdessus in a pre-recorded speech due to be delivered to Colombian business leaders on Saturday.

In an extract of the speech provided by Restrepo, Camdessus says "the IMF would be prepared to give full support to (President Andres Pastrana's) economic reform if he thinks it is useful."

The speech makes no specific mention of either a future loan or an amount. Restrepo conceded the $3 billion figure was based on Finance Ministry and Central Bank calculations.

In a terse two-sentence statement from Washington, the IMF poured cold water on the government's exuberant claims.

"The Colombian authorities and IMF staff will soon begin discussions on the outline of an economic stabilisation programme that could be supported by IMF credit. Initial talks will be held in Washington," a spokesman said.

The $3 billion figure cited by Restrepo is slightly bigger than a recent $2.8 billion three-year IMF loan to Argentina — a much bigger economy than Colombia.

But independent analysts noted that Restrepo's figure, although high, was "not impossible" if it was part of a multi-year IMF programme promising far-reaching economic reforms.

The IMF rarely comments on the size of a loan with a member country until talks have reached their final stage and it becomes clear what sort of policies the government will adopt.

The confusion caused by Restrepo's comments recalled an announcement in May by Peru's President Alberto Fujimori of a $4.5 billion IMF contingency credit. The IMF hastily denied Peru had qualified for the credit, and subsequently approved a three-year loan for a mere $510 million in late June.

Restrepo's comments came about two weeks after an IMF team finished a 10-day visit to assess Colombia's economy, currently mired in its worst recession in more than 50 years.

The country's traditional record of steady economic growth was halted last year by a drop in international commodity prices and by the soaring interest rates needed to defend the peso currency. The economy shrank 5.85 per cent in the first quarter of 1999, its worst performance since records began.

With a fiscal deficit independently estimated at 5 per cent of GDP, and unemployment riding at record levels of around 20 per cent, Colombia's recent resistance to an IMF deal has withered.

Pastrana's government has already adopted several IMF-style austerity measures, including recapitalizing state banks and cutting spending to reduce the 1999 fiscal deficit to 2.5 per cent of gross domestic product.

Colombia has also announced a sweeping plan to slash the cost of state bureaucracy, but some analysts note this still may not be enough to gain the IMF's seal of approval.

IMF loans are usually negotiated in several rounds of talks on economic policy, followed by the signing of a letter of intent detailing government economic promises.

The peso currency closed up 2.07 per cent at 1,832 to the dollar on Restrepo's comments. Bogota's IBB index was up 4.11 per cent at 978.33 and Medellin's IBOMED general price index was up 2.62 per cent at 11,023.03 points.

Microsoft's market value tops $ 500b

NEW YORK, July 17: Microsoft Corp. became the first US company to push its market value above 500 million US dollars Friday as the software company's stock price rose strongly, reports Xinhua.

The company's stocks rose 5.06 dollars to 99.43 dollars per share in trading on the Nasdaq Stock Market. With more than 5.1 billion shares outstanding, its market value toped 507 billion dollars.

The company made the success as it prepares for its 25th anniversary next year.

The rise in market capitalisation made Microsoft's founder Bill Gates one of the world's richest businessmen.

Commodity: Weekly Roundup

Rubber, sugar, coffee inch down

LONDON, July 17: Rubber lost ground as demand dried up at the start of the low season, reports AFP.

The London rubber index fell to 410 pounds per tonne (for August delivery) and 415 pounds per tonne (for September), from 432.50 and 437.50 pounds respectively.

In Kuala Lumpur, the RSSI index fell to 2.16 ringgits a kilo from 2.21 ringgits.

Sugar: Sugar prices continued their downward trend, only more gently this week amid technical factors which saw speculators closing positions.

A huge Brazilian cane harvest, set to top 20 million tonnes where analysts had expected 16.5 million tonnes, continued to weigh on the market.

On the London market, October contracts fell to 180.20 dollars a tonne from 180.70 the previous week.

In New York, sugar fell to 5.52 cents a pound from 5.64 cents (for October delivery).

Vegetable oils: US soya prices picked up along with the temperatures in producer regions that raised the threat of a drought harmful to the crop.

Soya prices also benefited from short-covering following last week's heavy selling.

On the Chicago Board of Trade (CBoT), soya prices gained 19 cents a bushel to 4.29 dollars (for July).

On the Rotterdam market, palm oil prices fell 7.50 dollars a tonne to 332.50 dollars.

Groundnut oil for July delivery was unchanged at 765 dollars a tonne.

Sunflower oil put on five dollars to 510 dollars a tonne for September delivery.

Rapeseed oil (August-October) gained two euros to 376 euros.

Cocoa: Cool. Cocoa prices fell on news that Cote d'Ivoire, the world's leading producer country, still had reserves hanging over from the last harvest.

The announcement that the country still had stocks of 80,000 to 160,000 tonnes of cocoa beans to sell from the 1998/99 harvest came as dealers awaited the preliminary estimates of the forthcoming 1999/2000 crop.

London prices fell by nine pounds to 698 pounds a tonne for September delivery.

Officials from Cote d'Ivoire admitted that comments made several weeks ago that the entire 1998/99 harvest had been sold were erroneous.

Beneficial rainfall fell in growing regions of west Africa.

But dealers held out hope for higher prices as Cote d'Ivoire and Ghana pledged to coordinate cocoa sales in a bid to raise prices.

Coffee: Weak. Coffee prices fell as fears of impending frost damage to Brazilian plantations evaporated.

On the New York market, Arabica for September delivery fell by 94.15 cents a pound from 96.45 cents.

In London, Robusta prices fell by 10 dollars to 1,301 dollars a tonne.

In place of fears of biting cold came predictions that Brazil would next year reap a record harvest, of up to 40 million sacks.

Tea: Break. There were no auctions in the Mombasa tea houses this week.

Grains: Stay. US wheat prices were little changed through the week amid strong export figures in very calm summer-season trading.

Maize prices pushed higher amid fears of drought in the producer regions of the Mid-west.

On the Chicago market, wheat prices were flat at 235.50 cents per bushel (of 27.2-kg, for July) from 235.25 cents last week, while maize prices gained four cents to 186.50 cents a bushel (of 25.4-kg, for July).

On the London market, wheat prices fell sharply by 9.25 pounds to 73.75 pounds (for September) amid fears of US inroads into the market.

Cotton: Sicken. Cotton prices slid back further after the US Agriculture Department estimated that world output and exports would increase through the 1999-2000 season.

In New York, July contracts gained 0.58 cents to 48.95 cents a pound.

But cash prices in the Cotton Outlook Index fell by 1.90 cents, to 53.90 cents.

Australia is set to produce a record crop this year thanks to better cotton culture methods, while the US harvest will also outstrip last year's.

Wool: Worth. Australian auctions attracted good demand, pushing up the Eastern index by seven cents to 5.45 Australian dollars a kilo.

Britain, the Wooltops index remained unchanged at 307 pence a kilo amid a dearth of auctions.

EU extends Portuguese beef embargo

BRUSSELS, July 17: The European Union's veterinary committee yesterday extended an embargo on Portuguese beef exports for six months from August 1 EU officials said, reports AFP.

Portuguese Agriculture Minister Luis Capoulas Santos said the embargo was "disproportionate and not justified."

Lisbon will therefore pursue its plans to launch legal action against the Commission in the European Court of Justice over its handling of the "mad cow" scare, the minister said.

The Commission had earlier proposed extending by 12 months the embargo — imposed in November for a nine-month period — because of the high number of cases of bovine spongiform encephalopathy (BSE), or "mad caw" disease in the country.

But on Friday the European Union's executive branch agreed to the position adopted by a majority of EU countries. Only Portugal voted against while Britain, Greece and Ireland abstained.

The amended position was expected to be formally endorsed by the Commission next week.

After Friday's veterinary committee decision the embargo will now be in force until February 1.

An embargo on British beef is to be lifted on August 1.

BSE has been linked to Creutzfeldt-Jakob disease (CJD), a fatal brain condition in humans.