China may soon resume WTO entry talks

WASHINGTON, July 31: Compensation for NATO's bombing of the Chinese embassy in Belgrade has raised hopes that China may soon be ready to resume negotiations for its entrance into the World Trade Organisation (WTO), US officials and analysts said yesterday, reports Reuters.

But China made no immediate overtures to reopen the WTO talks, broken off suddenly after the bombing in which three Chinese nationals were killed and more than 20 were wounded.

"We're hopeful that China will make some overtures," a spokeswoman for the US Trade Representative's office said. "None have been forthcoming."

Earlier on Friday, State Department legal adviser David Andrews announced in Beijing that the United States will pay $4.5 million in compensation for the bombing victims and their families.

Talks will resume next month to set compensation for China's destroyed embassy and for the US missions in China damaged by Chinese protesters angered by the May 7 bombing. The United States said the strike, during NATO's war with Yugoslavia, was accidental.

Judith Lee, a trade expert with the law firm of Gibson, Dunn and Crutcher, said China's agreement to discuss compensation for US missions was particularly encouraging.

"Compared with the intensity of the vitriol following the bombing, there are signs of a growing intent to restore a civil dialogue," said US-China Business Council President Robert Kapp.

Washington had hoped the trade deal with China, which appeared to be close during a visit by Premier Zhu Rongji in April, would be completed by the end of May.

Negotiations were immediately broken off after the bombing, which came on top of allegations of Chinese spying at US nuclear facilities.

The White House now expects WTO to be one of the top issues for discussion when Clinton meets President Jiang Zemin on the sidelines of the Asia-Pacific Economic Cooperation (APEC) forum in New Zealand in September.

Indian shares to fall next week

BOMBAY, July 31: Indian share prices are set to fall in the coming week, continuing the losses made in the previous week, brokers said today, reports AFP.

The Bombay Stock Exchange (BSE) 30-share sensitive index was down 129.78 points, or 2.8 per cent, to 4,542.34 points at the close of the week's trade Friday.

The national index, which tracks 100 shares, was down 37.45 points, or 1.8 per cent, to 1,988.06 points by Friday.

Brokers said the market this week was guided by technical considerations and by a slew of quarterly corporate financial results.

"The results so far have been a mixed bag, though there are definite signs of an economic recovery in some sectors," said broker Atul Jayantilal.

"Some companies have performed below expectations, some have exceeded expectations while the performance of others have been around expected levels," he said.

Other brokers said most of the week's trading was led by speculators.

"A lot of outstanding positions have been built up and these are most likely to continue coming down next week as well," said broker Ajit Ambani.

Ambani said selective buying support was expected in sectors such as cement, steel, petrochemicals, computer software, engineering goods, telecommunications and power.

European stocks end week on a positive note

LONDON, July 31: European share prices staged a technical rebound yesterday to end on a positive note after a week of trading once again dominated by events in the United States, reports AFP.

The FTSE-100 index of leading shares in London ended up 114.4 points, or 1.87 per cent at 6,231.9, recouping most of Thursday's 179.7 point-loss.

In Frankfurt, the benchmark DAX index closed above the psychologically important 5,100 barrier, ending up 0.98 per cent at 5,101.87, after plunging 3.39 per cent on Thursday on fears of an imminent spike in US interest rates.

The French CAC-40 index of leading shares ended up 75.66 points, or 1.7 per cent, at 4,382.06.

Dealers said the rebound was "normal" after steep falls the previous day and warned that the markets are still concerned about the possibility of a tightening in US monetary policy.

"Fundamentally nothing has changed. The uncertainties and the worries about a rise in interest rates in the United States are still there," a dealer at a major German bank in Frankfurt said.

Oils stocks across Europe were particularly strong, benefiting from crude prices now at a 20 month high and a whisker short of 20 US dollars a barrel, following new production hiccups in Nigeria.

IMF sees possible threats to European Monetary Union

WASHINGTON, July 31: Europe's Economic and Monetary Union could break apart if individual countries face big external shocks and are unable to agree a common monetary policy, an International Monetary Fund working paper said, reports Reuters.

The June 1999 document, published on the IMF's website this week, said there were doubts whether the 3-1/2 year transition to EMU would be "as smooth as generally expected."

The monetary union started in January with the irrevocable fixing of national exchange rates to the new European single currency, the euro. The transition phase ends by July 1, 2002, when national currencies are replaced.

But the IMF report said "asymmetric shocks" — shocks affecting individual countries rather than the whole of the euro bloc — were still possible during the transition period, and this could threaten the system.

"If the asymmetric shock is large enough, EMU might even break apart as consensus on monetary policy cannot be reached and as economic costs of staying in EMU become too large for some countries to bear," said the report, written by economists Norbert Berthold, Rainer Fehn Eric Thode from Germany's Wuerzburg University.

"Although there are no provisions in the Maastricht Treaty (on monetary union) for countries that wish to exit from EMU, it is hard to conceive of a sovereign country being forced to stay in EMU against its will."

The IMF publishes a number of working papers each month, some written by staff members and some by outsiders. The report said Berthold, a professor at Wuerzburg University, had been a visiting scholar at the IMF's research department.

"The IMF is generally viewed with a certain amount of credibility in terms of things like this," said Tim Fox, currency strategist at Standard Chartered Bank in New York.

"It may have the potential to be a little bit disturbing to investor sentiment if it gets a lot of attention."

The euro, introduced with much fanfare in January, is designed to smooth trade flows, cut the cost of doing business and simplify matters for travellers and holidaymakers.

But the euro did little but fall in the first six months of its short lifespan, and it came embarrassingly close to hitting parity against the dollar early this month. It has bounced back in the last two weeks amid signs of recovery in Europe and of slower growth and rising inflation in the United States.

The IMF working paper, described as views of the authors rather than of the fund, said political considerations had played a major role in deciding which countries would be EMU members from the start, and it questioned to what extent the EMU countries constituted an optimal currency area.

Labour mobility was much lower than in the United States and there were few signs that major labour market reforms would be realised during EMU's transition phase, it added.

"If real wages do not become more flexible in EMU, tensions concerning the right course of monetary and fiscal policy are bound to arise in case of adverse shocks," the report said.

It noted that Europe's Growth and Stability Pact, which sets strict limits on countries' budget deficits, meant it would be harder for individual countries to use fiscal policies to cushion their economies from external shocks.

"EMU will be more fragile during the relatively long transition phase of 3-1/2 years than after wards," the report said.

As EMU countries in general already display excessive levels of unemployment, it is doubtful whether substantial increases in joblessness are politically sustainable.

"A pullout will become a lot more costly after the transition phase is finished," it said.

American Steve Guthrie tries to get a London Underground sign into a black cab after paying £43 sterling for the Ravenscourt Park sign at the sale of Rail Memorabilia at Lloyds International Auction Galleries in London Saturday. Guthrie plans to take the sign back home to Houston, Texas.

— AFP photo

EU, ex-colonies deadlocked over pact on future ties

BRUSSELS, July 31: The European Union and 71 of its African, Caribbean and Pacific (ACP) former colonies remained deadlocked yesterday over a treaty on their future relations, with the key stumbling block being the corruption pervasive in so many of the developing countries, reports AFP.

They wrapped up a two-day ministerial meeting here no closer to an accord them they were after the first meeting in Dakar six months ago.

"We had good discussions, but not much results," said Frinnish Development Minister Satu Hassi, whose country hold the EU rotating six-month presidency.

The delegate were trying to hammer out a hotly contested new edition of the Lome Convention, the 25-year-old trade-and-aid pact that governs relations between the EU and the former colonial bloc.

The current version — Lome IV — was adopted in 1990 and expires next February, and little progress has been made toward a replacement during the six months since the first meeting in Dhaka.

The world "corruption" is not often mentioned publicly here the preferred euphemisms being "bad governance" and "weak governance."

But EU sources say it must be dealt with decisively because it poses big problems in bringing the ACP countries, which are some of the poorest on earth, into the world marketplace.

"What the EU is insisting on is an elusive entity it calls "good governance," proper management of a country's finances, and it wants that elevated to the status of an "essential element" in the new Lome Convention.

That would give it equal weight with the existing essential elements of democracy, human rights and rule of law, and would subject violators to mandatory "consultations" with the EU, then sanctions that could, and have, included suspension form the convention.

"Most of the ACP countries realise that corruption is against the interests of the own peoples," an EU source told AFP during a midday break.

"But if they don't have democratic institutions which are in order, if they don't have transparency and monetary accountability, then you are creating a bias in favour of corruption," she said

Many of the ACP countries are amenable to the idea of good governance. But the are balking at the prospect of having its crammed down their throats, with the threat of punishment unless they toe the EU line.

The notion of good governance "goes beyond corruption," said Mohammed el Mustapha Diagne, Senegalese Economy Minister.

He said the ACP countries agreed with the principle but thought it should be treated "an objective, and in no case as an essential element."

The EU source said, "The idea is that this kind of mechanism should not be a punishment. It's a question of recognising that there is a problem, trying to see where it lies, and focusing efforts in those areas so we can help the country get rid of the problem.

"There is sort of anxiety among the ACP countries that this is unilateral and punitive, and it's not meant to be lie that," she added. "It's what we prefer to call capacity building."

A EU proposed definition for good governance was being discussed Friday afternoon, but there were "no agreements yet," she said.

The EU also wants a tighter timescale for the ACP countries to adapt their economies to the rules of the World Trade Organisation (WTO) and the global situation.

An immediate concern in reaching agreement on a new Lome Convention is to have something solid to present to the WTO, which meets in Seattle, Washington, at the end of November.

The EU is asking the WTO for "special and differential treatment" for the ACP countries, namely duty-free access to its markets for their exports.

But first, it must convince the WTO that the ACP countries will be serious and stable economic partners, meaning a treaty that will bind them to certain minimum management standards — "good governance."

If no agreement is reached on a new treaty, the legal basis for relations between the EU and the ACP will expire, and there will be problems for the 15 EU members to release some 14 billion euros pledged to the 71 countries over the coming five years.

A third ministerial meeting is scheduled in Brussels in November ahead of the WTO meeting in Seattle.

Metal: Weekly Roundup

Gold, silver gain as reserves pull copper down

LONDON, July 31: Gold prices rose on technical trading this week, reports AFP.

The spot price on the London Bullion Market rose by 1.4 dollars to 256.80 dollars an ounce.

But analysts said that failure to rise further even though the US markets fell sharply during the week showed that there was a fundamental weakness of the gold market at present.

"The fact that it failed to capitalize on the US financial weakness and higher silver prices betrays an underlying weakness in gold bullion," said one US analyst.

What is more, Australian producers continued to sell gold, adding to market gloom that has fallen in the absence of word from the US Congress on possible opposition to IMF gold sales.

SILVER: Shine. Silver prices rose on speculative purchases from powerful investment funds and from a brighter tone on the base metals market, to which silver is becoming increasingly tide.

Cash prices on the London Bullion Market rose by 21 cents to 5.32 dollars an ounce.

After several years of dogged devotion, silver is finally beginning to step out of the shadow of gold to become a metal used more widely by industry than jewellers.

For this reason, signs of economic revival in Asia and Europe, along with strong demand from the United States are all positive for the silver market.

PLATINUM AND PALLADIUM: Dull. The price of these two sister metals remained flat this week.

Palladium prices on the London Palladium and Platinum Market were unchanged at 341 dollars an ounce, while platinum prices fell by seven dollars to 345 dollars an ounce.

The giant Norilsk producer has struck a deal with the Russian central bank to allow regular shipments of metal to the hungry Japanese market.

The deal put paid to fears of lasting market shortages, the like of which sent prices soaring in 1997 and 1998.

BASE METALS: Heavy. The base metals complex drifted generally lower on the London Metal Exchange (LME) this week, amid brighter production prospects and higher official reserves, with only nickel bucking the trend due to an anticipated supply squeeze.

Copper set the tone, weighed down by an increase in reserves of 7,650 tonnes to 77,425 tonnes, and fears of an output hike in Chile.

Market players, already glum at the rise in official stocks, now fear a glut of the metal piling up on the market after Chilean production jumped 22.8 per cent in June. Chile's Codelco is the world's leading producer of the red metal.

Aluminium prices also fell back on the LME after Canadian producer Alcan averted strike action at its Kitimat site in British Colombia, western Canada.

Lead prices were more stable in primarily technical trading, three-month prices ending the week unchanged at 503.25 dollars a tonne. Official reserves grew by 625 tonnes to 137,675 tonnes.

The International Lead and Zinc Study Group reported this week that world demand between January and May grew 4.6 per cent while output was up 3.6 per cent over the same period.

Shoppers pass by a Cambodian vendor sitting amongst a colourful bed of vegetables as prepares her noodle dish for breakfast at a market in Phnom Penh Saturday. — AFP photo

China steps up crackdown on illegal forex trade

BEIJING, July 31: China has stepped up a crackdown on illegal trade of foreign exchange and arrested 260 black market traders in the past three months, the official China Daily reported today, says Reuters.

Authorities had smashed 50 illegal foreign exchange trading spots and confiscated "large amount of funds", the newspaper said, quoting officials of the State Administration of Foreign Exchange (SAFE).

The nationwide campaign was launched in April by SAFE, the Ministry of Public Security and the State Administration for Industry and Commerce, it said.

"All cities have opened hotlines and offered rewards to people who provide tips about the black market," the newspaper said.

China has been trying to stamp out foreign exchange irregularities and illegal trades as part of efforts to keep the yuan stable and to protect its foreign exchange reserves.

London Stock Exchange to turn into shareholder-owned co

LONDON, July 31: The next company to be listed on the soon-to-be restructured London Stock Exchange could be ... the London Stock Exchange, says AP.

The management board of Britain's largest stock market said Friday that it plans to end the LSE's 240-year status as a member-owned organisation and transform it into a company controlled by shareholders.

The proposal aims to make the exchange more competitive in an era of intensified electronic trading, enabling it to function more efficiently than it can within its current structure of committees and consultation.

Initial shareholders will be the exchange's 294 current members, but they will be able to sell their shares to third parties, including foreign investors.

And although the LSE has no plan yet to list itself as a publicly traded company, an exchange spokesman, speaking on condition of anonymity, said that making shares available for sale to the public was a logical next step.

"To compete on equal terms in today's market, our decision-making processes must be geared to rapid response both to customer demand and changing economic conditions. The new structure will achieve this," LSE chief executive Gavin Casey said in a statement.

The plan is part of a global transformation in stock markets. Earlier this week, the two largest US stock markets — the New York Stock Exchange and Nasdaq — announced plans of their own to move closer to for-profit status.

This trend is propelled by the increase in cross-border trading of shares and the rapid growth of electronic trading systems.

Technology that has allowed millions of people to trade using the Internet has led to trading networks that link buyers and sellers, bypassing the traditional exchanges. These trading systems, known as electronic communication networks, or ECNs, already have grabbed away an estimated 20 per cent of the trading volume from Nasdaq.

The potential challenge from ECNs was a major factor in the LSE's decision to abandon its mutual status and adopt a more commercial structure. To do so, the London exchange will need the approval of 75 per cent of its member firms. The board has not set a date for seeking such approval.

Founded in 1760 as a club of brokers at Jonathan's Coffee House in London, the LSE now has an average daily trading volume of 1.3 billion shares worth $2.6 trillion.

The New York Stock Exchange, by comparison, has a smaller daily trading volume — 802 million shares — but a much bigger share value of $16.1 trillion.

Shareholders tend to demand greater accountability from a company than members do, and their focus on profits tends to force management to become more competitive.

Commodity : Weekly Roundup

Summer lethargy weighs sugar down

LONDON, July 31: The natural rubber market fell back this week as a summer lethargy settled over the sector, reports AFP.

Industrials are living on their stocks, only dipping into their pockets for sporadic purchases, dealers said. But better times could await the market in autumn, they said, while the rise in oil prices have given the synthetic rubber market a lift.

The London rubber index fell to 400 pounds per tonne (for August delivery) and 405 pounds per tonne (for September) from 410 and 415 respectively last week.

In Kuala Lumpur, the RSS1 index remained unchanged at 2.09 ringgit a kilo.

Sugar: Sweeter. White sugar prices rose further this week as the Brazilian government pressed on with a string of auctions designed to reduce the country's stocks of a alcohol fuel, which is manufactured from sugar cane.

The initiative was designed to turn more farmers' cane into alcohol instead of refined sugar.

On the London market, contracts for December delivery rose to 191.80 dollars a tonne from 188.90 dollars.

On the New York market, white sugar for March delivery rose to 6.41 cents a pound from 6.14 cents.

After a brief suspension, Brazil will resume auctions on August 5.

Prices also gained from strong demand. Syria put out a tender for 13,000 tonnes of sugar and Iran purchased 14,000 tonne.

Vegetable oils : Slip. US soya prices fell slightly after rainfall in growing regions there that was seen as ideal for the development of beans.

On the Chicago Board of Trade (CBoT), soya prices dipped by 0.18 cents a bushel to 4.31 cents (for August delivery).

Dealers said that the risk of drought in the US producer regions of Ohio, Iowa and Indiana had receded and given way instead to ideal growing conditions.

Cocoa : Butter. Cocoa prices tumbled this week as ideal weather conditions settled over plantations in Cote d'Ivorie, increasing the prospects of a bumper harvest and hence stronger supply.

In London, September contracts fell 45 pounds to 708 pounds a tonne.

Coffee : Cool. Arabica prices fell sharply this week under pressure from speculative selling and a dramatic increase in supply.

On the New York market, Arabica for December delivery fell to 97 cents a pound from 99.80 cents.

In London, Robusta prices for September delivery however advanced to 1,344 dollars a tonne from 1,320 dollars.

Tea : Strong. Tea prices picked up amid perky demand in the Mombasa auction houses, the London Tea Brokers Association said.

High quality BP1 (Broken Pekoe) leaves advanced, with some batches appreciating by up to 11 cents a kilogram.

PF1 (Pekoe Fannings) leaves gained up to 10 cents a kilo for lots with greater colour while lighter leaves lost up to 25 cents a kilo.

Grains : Jumping. An imminent easing of US trade restrictions with Libya, Sudan and Iran propelled US wheat prices higher this week.

On the Chicago market, wheat prices rose by 1.75 cents a bushel (of 27.2 kg, for September delivery) to 254.50 cents.

Dealers were anticipating a rise in demand from the Middle East.

Maize prices, meanwhile, fell in anticipation of ideal growing conditions in US growing regions in the coming weeks.

The price of a bushel of maize (25.4 kg, for September) fell by 4.75 cents to 199.75 cents.

On the London market, wheat prices rose by 40 pence to 75.40 pounds a tonne (for September delivery), on the wings of the stronger US wheat market.

Cotton : Stretched. Cotton prices rose slightly amid market fears of drought damage to plantations in the southern United States.

October contracts on the New York market rose by 0.25 cents to 51.46 cents a pound. Cash prices covered by the Cotton Outlook Index fell by 0.3 cents to 53.60 cents a pound.

There was still some market concern that the 1999/2000 harvest would be a huge crop.

Wool : Threadbare. British wool prices contracted in spite of strong demand at the second auction of the current season at the Bradford auction houses.

The Wooltops Index fell by eight pence to 308 pence per kg.

The British Wool Marketing Board said that 80 per cent of lots found buyers at the Bradford auction.

Demand for 10 pc wage increase

S African civil servants mull over second strike

JOHANNESBURG, July 31: South African public sector workers ended a huge two-day walkout yesterday vowing to mount a bigger and broader strike against President Thabo Mbeki's new government if their wage demands were not met, reports Reuter.

National Education, Health and Allied Workers Union (NEHAWU) official David Makhura told the agency that participation on Friday was up from the estimated 300,000 who joined the strike on Thursday.

Our overall impression is that today the strike had more impact than it had on Thursday, even to the point that some essential services were affected," he said.

Unions representing half the nation's 1.1 million public sector staff are demanding a 10 per cent increase. The government has offered increases between 6.2 and 6.8 per cent.

Reacting to the first major public sector strike since the transition from white apartheid rule to democracy in 1994, the government has warned that strikers will not be paid and essential service staff who strike will face disciplinary action.

Education Ministry spokesman Bheki Khumalo said about half the nation's 320,000 teachers struck for a second day on Friday but no serious incidents were reported at school.

Public Service and Administration Minister Geraldine Fraser-Moleketi, who heads the government negotiating team, declined all comment on Friday.

A spokeswoman said the ministry had received a note from the unions calling for action by Sunday to avert a second and potentially more damaging strike from Tuesday.

NEHAWU president Vusi Nhlapo said there had been meetings with the government during the strike, but there was no move now to resume the talks.

Makura said unions probably would resume the strike from Tuesday if the government did not improve on its 3.2 billion rand ($520 million) wage offer.

"We're meeting on Sunday as leaders of the three public sector unions and we will decide then what action to take from Tuesday," Makhura said.

"If there is going to be any progress, it can only come from the government. They are the only ones who can make a meaningful step forwards," he said.

Makhura said unions would remain open to negotiations based on the country's 7.3 per cent consumer inflation rate but that the government would have to make a significant new offer.

"If there is no movement from the government by Monday, it is logical to assume that our action will escalate," he said.

Mainly white unions representing an additional 160,000 public sector staff joined the strike on Friday and have echoed the threat of escalated action next week.