

Brent crude eyes
\$20 mark
again

LONDON, Aug 6: Oil prices again scammed yesterday on the back of a strong US gasoline market and with benchmark North Sea Brent crude once more eyeing the key \$20 level, says Reuters.

Brent crude for September delivery last traded 19 cents higher at \$19.82 a barrel, within sight of the 20-month high of \$19.95 reached last week.

The market continued to draw strength from a slide in US gasoline stockpiles. Russia's decision to curb exports of refined products, and OPEC's supply restraint.

On Wednesday, the US Department of Energy reported that US gasoline stocks fell by around one million barrels in the latest week, contradicting an estimate by the American Petroleum Institute the day before that they had risen almost two million.

The DOE also reported a 3.4 million barrel decline in US crude oil stocks.

Russia's decision to halt exports of gasoline and cut diesel and fuel oil exports to 30 per cent of refinery output in August and September to boost domestic supplies, was also supportive.

Russia's regions had been complaining of shortages of oil products needed for the annual harvest.

The oil markets continue to be underpinned by confidence in the determination of the Organisation of the Petroleum Exporting Countries to stick to pledged output curbs through to the end of next March.

US consortium
agrees to buy
bankrupt
ROK Hanbo

SEOUL, Aug 6: A US consortium has agreed to buy bankrupt Hanbo Iron and Steel Co., raising hopes South Korea's two-year battle to sell the firm would succeed, creditors said today, reports AP.

The agreement, reached Wednesday, followed three weeks of intensive talks between Hanbo's main creditor Korea First Bank and Nabors Consortium led by a subsidiary of US oil giant Nabors Industries.

"The US consortium agreed to buy Hanbo. But we need more talks to finalize key details, including the sale price," a Korea First Bank official told AP.

"We hope to narrow differences on the price before Hanbo gets approval from the court on the sale," he added. Negotiations were expected to be completed by the end of September.

He gave no details of the deal, but earlier reports said the price would be higher than the 400 to 500 million dollars proposed by Nabors.

Hanbo went insolvent in 1997, triggering a string of business failures. The deal, if concluded, would greatly improve the financial structure of the nationalised bank, which has been put up for sale.

The bank had been considered one of the soundest in South Korea until its fortunes worsened amid a spate of bankruptcies triggered by Hanbo's insolvency in January 1997.

Sweden sees
2000 growth
at 3 pc

STOCKHOLM, Aug 6: Sweden's Prime Minister Goran Persson, said today he expected the economy to grow by three per cent in 2000, after earlier saying it could be expanding now at an annual rate of four per cent, says Reuters.

Persson said he also backed comments earlier this week from a senior spokesman of the governing Social Democrats, who said the government aimed to raise income taxes by around 10 billion crowns (\$1.22 billion) in 2000, to reduce them overall by 50-60 billion crowns over a four-year period.

Sales of buses,
luxury coaches
in China go up

BEIJING, Aug 6: A rapid extension of expressways and growth in mass transit in China are pushing sales of buses and luxury coaches, according to today's Business Weekly of China Daily, reports Xinhua.

During the first half this year, 15,761 buses and luxury coaches were sold, up 60.37 per cent from the same period last year, according to figures from China Automotive Industry Association.

This is a new record following five consecutive years of growth and it has been attributed to massive investment in urban public works, the construction of highways and the advent of peak time for the replacement of old buses, said the officials with the association.

About 50,000 old buses will be replaced by new ones because of activities marking the 50th anniversary of the founding of the People's Republic of China.

In three years of time, China will spend at least 250 billion yuan (30.1 billion US dollars) building roads and bridges within big cities. The budget for new bus purchases is expected to be at least 30 billion yuan (3.6 billion US dollars).

The growth in tourism and international activities held by China is expected to bring in more orders for luxury coaches,

Pricing dispute clouds gas
discovery in Pakistan

KARACHI, Aug 6: A dispute over prices has clouded the discovery of huge natural gas reserves in Pakistan, damping hopes the country can wean itself off imported oil for its growing energy needs, says Reuters.

Company officials and sector analysts say potential reserves of up to nine trillion feet are at stake in the row over how much the government — currently the sole purchaser — will pay for the gas.

Industry sources also said time-consuming negotiations over the government's request for price cuts could slow plans to develop the gas finds.

They said the problem stems from the government's 1994 petroleum policy, seen as a way to attract foreign investment in

gas exploration.

The thrust of the policy was that it linked the price of gas to international oil prices, providing a benchmark for the explorer.

But there was a catch. The policy does not bind the government to buy the gas.

And company officials said the government has been using that as a way to restructure the pricing mechanism downward.

They are annoyed because there are no buyers besides the government and state-run utilities.

"Legally speaking, they are right. But it is against the spirit of the policy because there is simply no other buyer," said one foreign company executive.

Industry sources said the government wanted to cap

prices at a certain level so that any hike in oil prices would not trigger a rise in the gas purchase price.

They said the oil price had already broken the level, after surging to a 20-month high of \$19 per barrel in July.

There are worries over delays in the middle Indus region in the provinces of Sindh and Balochistan, where recent finds are estimated at up to three trillion cubic feet in size and could be developed in nine months to one year.

Foreign companies involved in the region include LASMO Plc, LMSR, L and Premier Oil Plc, PMO, L of Britain, Tullow Pakistan Development Ltd, a unit of Tullow Oil Plc, L of Ireland, Austria's OMV, VI, Australia's BHP, BHP, AX and

Union Texas UTH.N of the United States.

"They want a floor and we are willing to give them a floor. We want a ceiling and if it (price) goes above the ceiling we should share (the cost of the gas)," a senior official in the Ministry of Petroleum and Natural Resources told Reuters.

Analysts said one problem hanging over the talks was that the state-run utilities that would ultimately buy the gas were all in the red.

Considering the cost advantages of gas, one hopes the government and gas producers reach an agreement and that exploration is not interrupted," said Shuja Ali, energy analyst at UBS Securities.

Pakistan meets 37 per cent of its energy needs from natural gas, compared to 46 per cent from oil.

Industry analysts said Pakistan had huge potential gas reserves after the recent string of discoveries.

"There is a large potential in the country for gas. That cannot be necessarily said for oil," said the head of a Western oil company.

Wrangling over prices could hurt foreign investment in new exploration, vital for Pakistan's energy future.

Once the pricing is resolved, then people can look at their economics and see how Pakistan fares with other countries," another foreign oil company executive said.

Bank of England
chief opposes
gold sales

LONDON, Aug 6: Bank of England governor Eddie George opposed the sale of half Britain's gold reserves which was announced in May, the Guardian reported today, says Reuters.

The front-page story, which did not cite any sources, directly contradicts evidence George gave to a parliamentary committee in May.

The Guardian said George "saw the proposed gold sale as a further erosion of the Bank's power base in the City (of London)".

A spokesman for the Bank of England had no immediate comment, other than to say the story contradicted public statements by George in evidence to the committee on May 25.

In his evidence, George described the gold sale as "a straight forward portfolio decision".

He said that the move to sell gold was "perfectly reasonable" given that Britain holds 43 per cent of its reserves in gold.

"People get emotionally attached to gold and we have seen quite a lot of emotional reaction," George told the parliamentary committee.

The Guardian also said, without quoting any sources, that Bank of England executive director Ian Plenderleith had also opposed the gold sale and that both he and George were outmanoeuvred by the Treasury and other BoE officials.

Y2K problems
Japan railway
Co may halt
year-end
services

TOKYO, Aug 6: Japan's largest railway company may temporarily halt most train service just before midnight on Dec 31 as a precaution against possible year 2000 computer failures, a spokesman said Tuesday, reports AP.

East Japan Railway Co may stop some 250 late night passenger trains at stations during the final minutes of 1999 and first minutes of 2000 to ensure that no passengers are stranded between stations if a computer failure should occur, said company spokesman Masahiko Horiuchi.

The planned stoppage would affect mostly trains in and around metropolitan Tokyo and would last no more than about 10 minutes, Horiuchi said. The company will decide by the end of August if the measure is necessary, he said.



Environmentalists shout against a US-based McDonald's fast food restaurant at its opening in Quito on Thursday. The demonstrators protested the company's commercial, economic and environmental policies. — AFP photo

Asian Stocks Roundup

Most markets down on
US job data fears

SINGAPORE, Aug 6: Nervous Asian stocks retreated today on fears US job data could point to a rate hike, with a strong yen, China-Taiwan ties, and Dae-woo's troubles overshadowing individual markets, says Reuters.

Tokyo's benchmark Nikkei 225 average ended down 1.6 per cent at 17,084 as the market fell for a third consecutive session. While Hong Kong's Hang Seng index dropped 0.7 per cent at 13,167 by the close.

Selling across the region was triggered by worries that if US employment data due on Friday were strong, it would increase pressure on the US Federal Reserve to raise interest rates.

Tokyo's decline was com-

pounded by fears the yen's strength could nip economic recovery in the bud as hopes of intervention to buttress the dollar dimmed.

The dollar was quoted at 114.54/64 at 0930 GMT, against 114.40/50 in late New York on Thursday, after sticking to a 40-pip range all day on pre-job data tension.

The euro fared no better at \$1.0744/49, against \$1.0755/60 in late New York, with investors disappointed by its failure to sustain a break of \$1.0800 overnight.

The fall in Tokyo share prices and a decline in interest rates at the short end of the yield curve pushed key September 10-year Japanese govern-

ment bond futures to a higher close.

Hong Kong stocks were depressed further by concerns about the stability of the Chinese yuan.

Taiwan stocks fell for the sixth straight session as a spat over Taiwan's status showed no signs of abating.

The TAIEX index closed down two per cent at 6,624, after reversing a Wall Street-inspired early rebound.

"Cross-strait tensions are expected to last for quite a long time, so investors took advantage of the morning's rebound to reduce their shareholdings," said Alex Chen, greater China markets research chief at Masterlink Investment Advisory.

Euro, Asian demand put smile
on European exporters' faces

LONDON, Aug 6: A dizzying improvement in the euro-zone's export sector boosted the euro yesterday and reinforced expectations of a smooth acceleration in manufacturing-led growth over the rest of the year, says Reuters.

Economists said a trio of reports from Germany, France and the European Commission confirmed that Eurozone's exporters were now reaping the benefits of rising demand in Asia and the weakness of the euro in the first half of the year.

Robert Prior-Wandessford of HSBC Economics in London said he expected export growth from the euro zone to increase at an annualised rate of between eight and 10 per cent in the third and fourth quarters.

"It's tempting to say that the

risk is that this is perhaps looking a bit cautious, if anything. It's looking like a classic V-shaped recovery and it's going to drive the whole business cycle," Prior-Wandessford said.

The euro climbed above \$1.08 for the first time in three months following the data. It had slipped back to \$1.0790 by 1200 GMT but was still up from \$1.0770 late on Wednesday.

German industry reported a 2.0 per cent rise in foreign orders in June and a 1.7 per cent increase in overall orders that was three times bigger than expected.

Although a raft of big orders from east Germany boosted the June total, economists said the one per cent increase for west Germany pointed to better days ahead for Europe's largest econ-

omy.

Orders in the second quarter grew at an annualised rate of 13.4 per cent, the fastest clip since Asia's financial crisis started to unfold two years ago.

"The figures certainly support the view that the euro-zone economy is picking up and will continue to underpin the euro against the dollar," economists at Donaldson, Lukin and Jemette said in a commentary.

"The prospects for a more broadly based recovery in Europe are looking better and better."

In France, the National Statistics Institute, INSEE, reported in its quarterly industrial survey that manufacturing demand was expected to keep growing in the third quarters.

The percentage of industrial-

ists expecting an improvement in foreign orders outstripped those who were negative by 16 percentage points, up from one percentage point in April.

Among manufacturers, the positive balance jumped to 21 points in July from four in April.

"This survey shows an extraordinary rebound in foreign demand which has been much less visible to date," said Philippe Brossard, an economist with ABN Amro.

"It's perhaps sign of a take-off soon in French exports, but we'll have to wait for confirmation of that," he added.

The INSEE survey followed other rosy economic data that left the French daily Liberation in no doubt about the economic mood.



Traders on the floor of the New York Stock Exchange monitor the early moves of the market soon after the trading day began in New York Thursday. The market moved up cautiously in early trading, though Internet stocks continued to be a drag on the Dow Jones Industrial Average. — AFP photo

IMF urges US to raise rates

WASHINGTON, Aug 6: The IMF yesterday urged Washington policymakers to raise interest rates to curb inflation and warned that a globally disruptive US stock market decline was now a "significant risk," reports AP.

The International Monetary Fund executive board also backed President Bill Clinton's plan to save much of the federal budget surplus to preserve retirement and medical insurance programmes.

Directors, according to a summary of their discussions held July 30, expressed concern over a decline in US official development assistance to poor nations and urged authorities to restore a priority status to such aid.

The board credited the United States with sound fiscal

and monetary policies, which together with flexible labour and product markets had helped produce what will soon be the longest expansion in US history.

But the IMF also warned that given booming domestic demand, the US economy was in danger of overheating.

The policy challenge for the United States and its international partners would be to restore a more sustainable pattern of demand growth in a non-disruptive manner," the summary said.

"Unless there was evidence soon that the strength of demand growth was abating, the authorities should tighten monetary policy further to ensure that the expansion remained on a sustainable, non-

inflationary past."

Failure by the US Federal Reserve to act promptly, IMF directors said, would require sharper interest rate hikes later on that could induce a disruptive stock market correction.

Fed policymakers on June 30 raised the benchmark federal funds rate a quarter of a point to five per cent and, according to many analysts, will likely hike rates an additional quarter point at their next meeting August 24.

The IMF described the high level of US share prices as "difficult to explain" and said there were now "significant risks" of a substantial and abrupt decline in US equity prices that could have significant effects on both domestic and foreign economies.

Weekly Currency Roundup

August 1-August 5, 1999

Local Market

In the early half of last week, activity in the local foreign exchange market remained subdued because of a 30-hour general strike. On Wednesday, the foreign exchange market was back into operation in full-swing. The week started with a sluggish demand for dollar, which gradually picked up as the week proceeded.

The interbank market was rather active in the later part of the week and most of the deals took place in cross currencies. There was ample supply of dollar in the market due to inward remittances. The dollar demand was also created due to lower imports. As a result, dollar traded in the interbank market in a narrow range of BDT 49.64 to BDT 49.65. Cash US dollar traded in the higher range of BDT 51.00 and BDT 51.40 during the week.

The call money market was quiet throughout the week except for Monday when the call rate escalated a little due to auction of Treasury Bills. In general, there was ample liquidity in the market throughout the week and call money traded in a narrow range. Throughout the week, the call rate fluctuated between 5.0 to 6.25 per cent.

International Market

In the international markets, dollar touched five-month lows against yen despite concern of intervention by the Bank of Japan to halt its rise. In the middle part of the week, dollar staged an overnight comeback and sailed above 115 yen level after remarks by the Japanese foreign minister sparked fears of a joint US-Japan foreign exchange intervention.

Euro also surged against dollar on favourable economic indicators in Europe. Dollar was also hurt against all major currencies in the later part of the week due to rally in the US asset market. Pound maintained its strong tone against dollar on the backdrop of positive July UK service activity index. The market now awaits the Bank of England's Monetary Policy Committee meeting to conclude.

— Standard Chartered

S'pore optimistic
about tourism
prospects in '99

SINGAPORE, Aug 6: More tourists are coming to Singapore again, thanks to recovering economies in the region, Singapore's Tourism Board said Friday, reports AP.

Singapore now expects the number of travelers to Singapore to grow by between 6 per cent and 8 per cent this year, up from an earlier forecast of 1 per cent to 3 per cent above the 6.2 million in 1998.

Singapore can expect about 6.7 million visitors for 1999, Asad Shiraz of the tourism board said Friday.

"Many of our markets are experiencing sustained recovery as a result of improvements to Asian economies coupled with our intensive marketing efforts," he said.

The greater number of tourists are coming from Australia, China, India, Indonesia, South Korea, Thailand and the United Kingdom.

The board also said that visitors are now arriving in bigger groups and spending more.

US Congress okays biggest
tax cut in 2 decades

WASHINGTON, Aug 6: The Republican-controlled US Congress approved the biggest tax cut in nearly two decades yesterday despite a veto pledge from President Bill Clinton, drawing battle lines for next year's election, says Reuters.

The \$792 billion tax cut, proposed by Republicans but opposed by Democrats, would trim all five income tax rates by one percentage point, lower capital gains taxes for individuals, eliminate estate taxes and ease the so-called marriage-tax penalty.

Clinton has repeatedly promised to veto the 10-year bill. "It threatens Social Security, Medicare, makes it harder to pay off the debt, and imperils the prosperity that has brought real benefits to American families," he said in a statement on Thursday evening.

Undeterred, the Senate gave the measure final approval in a mostly party-line vote of 50 to 49. The House of Representatives passed it earlier by a 221-206 vote.

Republican leaders were expected to send the bill to Clinton in September, after Congress' August recess. That will give Republicans a chance to pitch the plan to their constituents before it is vetoed.

Tax cuts are a key political battleground for Republicans and Democrats, and both parties expect Thursday's vote to resonate in the 2000 presidential and congressional races.

Republicans see passage of the bill as a major political victory that will galvanise the party's base, including big business and religious conservatives, and differentiate the Republicans from the Democrats.

"It expresses the genuine difference between our parties," said House Ways and Means Committee Chairman Bill Archer, a Texas Republican.

"The Democrats believe Washington knows how to spend the people's money better than the people do. We disagree. We think it belongs to the people who earned it."

At \$792 billion, the Republican bill promises the largest tax cut since 1981 when Ronald Reagan was president.

Strategists say a presidential veto may also help Republicans rally voters against Vice President Al Gore, the Democratic front-runner in the 2000 presidential race.

Democrats saw the tax vote as a political opportunity to bash Republicans for showering tax breaks on the rich and special interests.

Top US Y2K trouble shooter
plans to fly on New Year eve

WASHINGTON, Aug 6: President Bill Clinton's top Y2K trouble-shooter said yesterday he planned to be in an aircraft in mid-flight as the century ticks over on Jan 1 and assured Americans the computer glitch would bring only local problems, says Reuters.

"The nation's basic infrastructure will hold," John Koskinen, head of the President's Council on Year 2000 Conversion, told a news conference.

Koskinen said he was increasingly confident about the domestic aviation system as well as the financial, electric power, telecommunications, air travel and federal government computer systems.

"We are focusing more and more on local levels," Koskinen said adding that he was committed to being in the air at midnight GMT (7 pm EST) on December 31.

"I would be out in the 6:30 (pm) shuttle from New York, and I will be in the middle of the air when the millennium comes," he said.

His council remains concerned about the readiness of some US localities, health care facilities, small businesses and educational systems such as smaller community colleges and local secondary schools.

Koskinen said only 28 per cent of more than 3,500 local educational agencies were Y2K compliant with systems controlling functions like electronic loan payments, class registration, heating and security.

The council's third report, released on Thursday, said only 30 per cent of roughly 2,100 post-secondary educational institutions are entirely Y2K compliant.

The so-called Y2K bug may

cause some computers to mistake the date on Jan 1 as 1900 instead of 2000 because of an old programming shortcut. Unless fixed, it could disrupt systems from airlines to bank teller machines to power grids.

Y2K readiness means updating computer code to recognise the "00" in two-digit date fields as 2000 and not 1900. It also includes contingency planning.

Koskinen said the compliance status of other countries was more difficult to assess but major US trade partners were relatively well prepared.

The unpreparedness of some developing countries would not impose any notable disruption to the US economy, he said.

Koskinen said joint efforts with foreign airlines and airports had reduced the risk of international air traffic chaos on January 1.