

Brent crude eyes
\$20 mark
again

LONDON, Aug 6: Oil prices again scammed up 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 AFP.

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 AFP.

"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 cut income taxes by around 10 billion crowns (\$1.22 billion) in 2000, and 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 (3.61 billion US dollars).

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

BUSINESS

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 LSMR, L and Premier Oil Plc PMO, L of Britain, Tullow Pakistan Development Ltd, a unit of Tullow Oil Plc TLW, L of Ireland, Austria's OMV 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 Alvi, energy analyst at ABS 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 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 relocate 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 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 Plenderleath had also opposed the gold sale and that both he and George were outmanoeuvred by the Treasury and other Bank 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.

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 spot over Taiwan's status showed no signs of abating.

The TAIEX index closed down two per cent at 6,824, 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.

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