APEC seeks common ground for global trade talks

AUCKLAND, Sept 10: Ministers from Asia-Pacific economies representing almost half of the world's trade were locked in meetings in New Zealand today trying to come to a common position for a new round of global trade talks, reports Reuters.

Ministers of the Asia-Pacific Economic Cooperation (APEC) forum were working to conclude two days of talks with an agreed framework for negotiations on freeing world markets, including a timetable for discussions and some guidelines.

APEC countries hope to be able to set the agenda for the talks that are due to start in Seattle in November under the auspices of the World Trade Organisation (WTO).

The trade ministers' proposals will be passed on this weekend to the leaders of the 21 APEC economies, which represent some $16 trillion in output.

Speaking before departing for a meeting of APEC leaders in Auckland this weekend, US President Bill Clinton heralded the APEC talks as pivotal for world trade.

"What we do there will help decide whether the global economy continues to move in the direction of greater openness and integration, equity and growth in the 21st century," Clinton said.

"This year, one of my most important goals is to get a commitment on the part of all our Asia Pacific partners to rapid, wide-ranging market opening so we can launch a new trade round at the WTO meeting in Seattle in November," he said.

"We must stand together against protectionism and for a common future of prosperity," he added.

A copy of the draft ministerial statement to be approved by APEC ministers, obtained by Reuters late on Thursday, called for the WTO talks to last three years and be "balanced and sufficiently broad-based to respond to the interests of all economies."

"The negotiations of those issues agreed at Seattle for inclusion in the negotiation should be structured so that the outcomes are finalised, bound and fully implemented as a single package," the draft document said.

This suggestion, if adopted by APEC, would be a rebuff to some in the US government, who want the WTO to allow trade negotiations on a sector-by-sector basis.

Japan and many other members of APEC object to what they see as piecemeal negotiations.

The draft avoided using the phrase "single undertaking," a terms used in the previous Uruguay Round of trade talks, in response to resistance from countries who reject the idea.

Tokyo, which wants to avoid and assault on its protected fishery and forestry industries, has strongly endorsed the single package approach which would allow them more room to negotiate.

A senior source from one major APEC delegation told the agency the trade ministers had agreed most areas under discussion.

He said there were strong feelings that the WTO trade round should not drag on too long, as had the last Uruguay Round under the General Agreement of Tariffs and Trade.

Part of the discussion on Friday was over APEC's proposal for accelerated tariff liberalisation, or ATL, which plans to speed up tariffs cuts on 15 industrial sectors covering products as diverse as oilseeds, food, rubber, fertiliser, civil aircraft and the automotive sector.

Ministers of the 21-member Asia-Pacific Economic Cooperation (APEC) forum attend the closing ministerial meeting at the APEC press centre in Auckland yesterday. The APEC ministers called for a new round of negotiations on a global trade pact that should be completed within three years.

— AFP photo

Oil hits new peak as US stocks ebb

LONDON, Sept 10: Oil's relentless upward surge gathered pace yesterday as producer supply curbs cut down pre-winter stocks of spare oil in the huge US market even faster than expected, reports Reuters.

World benchmark Brent crude in London raced another 77 cents higher to end at a $23.05 a barrel peak, as gains of nearly two dollars this week alone took prices to their highest since January 1997.

The latest kick higher came after data from the American Petroleum Institute showed that stocks of crude oil plunged by nearly six million barrels last week as waning imports could not keep up with rising demand from refineries.

US imports have shrunk below normal levels this summer as key producers from the Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC Mexico have stuck closely to strict output limits agreed in a March price rescue package.

With economic damage from last year's price slump still a fresh memory, OPEC producers have made it clear that the export cartel's September 22 ministerial meeting will not loosen supply restraint.

Price spike threatens

Analysts now expect commercial oil inventories to slide to multi-year lows as peak northern hemisphere winter demand looms.

They warn that oil importers now face the threat of a price spike all the way to post-Gulf War highs of $25 a barrel, a far cry from February's sub-$10 lows.

"The market just won't sit down," said Peter Gignous, head of the energy desk at Salomon Smith Barney.

OPEC ministers insist there is no prospect of the surplus stockpiles — which last year dragged prices to 22-year lows — being eliminated soon, leaving them fearful that prices could go back down as fast as they have risen.

S Korean stock market guru arrested

Price rigging charges

SEOUL, Sept 10: A top securities official, once hailed as a national hero for masterminding the recovery of South Korea's battered stock market, has been arrested for alleged stock price rigging, officials said Friday, reports AFP.

Prosecutors put Lee Ik-Chi, chairman of the Hyundai Securities Co, behind bars late Thursday on charges manipulating stock prices despite mounting pressure from business circles to release him.

Lee's detention took place hours after the prosecution sought an emergency-arrest warrant from the Seoul local court, which approved the request for his arrest before trial.

Issuing the arrest warrant against Lee, the court said there are concerns about his destroying evidence about accomplices and witnesses.

Prosecutors said Lee, who is accused of manipulating the share prices of the giant Hyundai Group's electronics unit, admitted to involvement in the affair.

He is charged with allegedly diverting 210 billion won (178 million dollars) to boost Hyundai Securities' share price to improve its capital adequacy ratio in line with government demands for corporate reforms.

"Lee has admitted to his wrongdoings and we have secured enough evidence to back up the charges," senior prosecutor Lim Yang-Woon told journalists.

"We were concerned about the negative impact on the economy and on the country's international credibility his arrest would bring about but decided to go ahead for the sake of economic and legal justice."

His arrest, however, appeared to have no major impact on the stock market, which has already factored in the case. The index was up 0.5 per cent at 954.96 in early trade.

The request for an arrest warrant came despite pressure from business circles and politicians to release him.

Mexican banks brace for new capitalisation rules

MEXICO CITY, Sept 10: Mexican banks are selling assets and seeking fresh sources of capital in anticipation of tough new rules aimed at shoring up the foundations of the country's wobbly banking system, a senior official said on yesterday, reports Reuters.

Finance Minister Jose Angel Gurria said the government in the coming days will unveil the new rules to boost the quantity and quality of banks' capital.

"Banks are seeing a regulatory framework under which, if they don't capitalise themselves, clearly they won't be able to take advantage of business opportunities and will lose market share," Gurria said in his annual appearance before the lower house of Congress.

Mexico's banks were ravaged by the 1994-95 peso crisis and a subsequent flood of defaults. The crisis led to a bailout of the banking system that the government last week estimated would cost $93 billion, or 19.3 per cent of the country's gross domestic product.

Banks remain the weak link in Mexico's economy. "Strengthening the financial and banking system is fundamental", Gurria said.

Md Aminul Islam, Managing Director of Janata Bank, speaks at a branch-wise evaluation meeting of regional chiefs and corporate branch heads of Dhaka city at the bank's head office on Thursday. In his speech, he urged the officials to improve customer service, mobilise deposit, increase proper investment, recover classified advance to attain profit target and participate in the poverty alleviation and self-employment programmes for the prosperity of the bank. M A Yousoof, Deputy Managing Director, S I Bhuiyan, Nurul Islam Mollah, General Managers of the bank, also spoke on the occasion.

US tax cut plan seems dead for the year

WASHINGTON, Sept 10: Republicans in the US Congress yesterday effectively ruled out a compromise with President Bill Clinton on tax cuts this year, pushing the issue of what to do with huge projected budget surpluses into next year's election campaigns, reports Reuters.

Clinton has vowed to veto the $792 billion Republican-sponsored tax cut bill after it lands on his desk next week and Republicans said that would doom any chance of tax relief this year.

The tax cut accounted for most of the $1 trillion budget surplus, excluding Social Security reserves, that had been projected for the next 10 years.

"If the president were to veto the bill, that would pretty well kill it for this year," House Majority Leader Dick Armey said.

Weekly Currency Roundup

September 05-September 09, 1999

Local Market

Last week, activity in the interbank market was insipid and the demand for dollar was in a downstream trend. All the major market players has been in dollars for more than three weeks. The accumulation of dollar has occurred mainly due to remittances sent by overseas Bangladesh and donor agencies.

Lower import volume also contributed to the plummeting of dollar demand. The market-players do not expect any drastic change in dollar demand in the near future unless the import level goes up. The dollar demand is in a continuous downward trend for the last four weeks. As a result, last week in the interbank market dollar traded in a range of BDT 49.500 to BDT 49.570. Cash US dollar traded in the higher range of BDT 51.50 and BDT 51.75 during the week.

The call money market picked up last week and the demand for call money went up mainly because of increased government borrowings. Last week, Bangladesh Bank accepted Treasury Bills worth of BDT 8218 million of which BDT 7858 million for 28 days at an average rate of 7.02 per cent, BDT 330 million for 91 days at 8 per cent and BDT 30 million for 182 days at an average rate of 8.20 per cent.

International Market

In the international market at the beginning of the week, euro was under pressure against dollar, falling almost 1.5 per cent from its last week's three-week peak. Heavy losses suffered by Germany's ruling SPD in elections in two states on Sunday added to euro's softer tone. In the beginning of the week, Japan's Finance Ministry officials voiced their concern over yen's premature strength. In the middle of the week, dollar rose against yen due to the weaker-than-expected Japanese economic data.

A recent survey showed that Japanese capital spending in the 2nd quarter fell by 13.4 per cent from a year earlier, and this data pushed yen down below 110 level. By mid-week, the market was cautious in dealing and kept an eye on the Japanese GDP figure and the outcome of the Bank of Japan's policy council meeting. However, the market did not expect any change in the monetary policy.

US dollar also gained against euro due to its rise against yen and weaker European economic data. In the later part of the week, euro perked up against dollar amid expectations of an improvement in the European economy. Speculation of strong reading in July German industrial data which was due on Wednesday also helped euro.

Sterling also became healthier against dollar on an improving economic outlook. Even though the market did not expect the Bank of England to increase the interest rates, the BOE Monetary Policy meeting concluded its meeting by increasing rates by a quarter basis point. On the last working day of the week, yen rose against dollar by two per cent on account of a better-than-expected Gross Domestic Product data of Japan for the second quarter. According to the Ministry of Finance, Q2 rose by 0.2 per cent against the market expectation of 0.35 per cent contraction. This better than expected economic data gave the market the impression that Japan's economy might be out of the through. Erstwhile, euro lost some ground against dollar due to the disappointing German economic data.

— Standard Chartered Bank

Poor crop may slow Indian industrial growth

BOMBAY, Sept 10: The Centre for Monitoring Indian Economy (CMIE) said today a pick up in India's industrial sector during the second half of 1999/2000 (April-March) was unlikely because of lower than anticipated agricultural growth, reports Reuters.

"Adverse weather conditions in many parts of the country threaten to arrest the momentum of growth in the second half of the current fiscal year," CMIE said in its monthly review of the economy for September.

It said India's groundnut output was seen declining substantially because of scanty rains in key growing areas in western Gujarat state.

The poor monsoon was also likely to impact other crops like soyabean, coarse cereals and cotton, CMIE said.

The independent forecaster said the industrial recovery depends on stronger demand.

Lexco declares 10pc dividend

Star Business Report

Lexco Ltd has declared a 10 per cent dividend for its shareholders for the year 1998.

The dividend was announced at the 19th Annual General Meeting of the company held at its Head Office in the city on Thursday, says a press release.

Al Haj M A Matin, Chairman of Lexco Ltd, presided over the meeting.

The AGM also approved the Annual Report of the company. Managing Director Abdul Quader promised to work for continue progress of the company in future.

NZ-S'pore free trade pact today

WELLINGTON, Sept 10: New Zealand and Singapore will sign the first stage of a bilateral free trade agreement on Saturday, New Zealand government sources said today, reports Reuters.

"A heads of agreement sort of deal will be signed. It's a one-to-one initiative," one official said.

The agreement follows weeks of intense negotiations between the two governments to come up with the deal. New Zealand's second such trade agreement. It has a longstanding Closer Economic Relations (CER) deal with neighbour Australia.

The agreement is not expected to lead to widespread slashing of import tariffs between the two countries.

Singapore has an unrestricted, zero tariff import regime while New Zealand has a policy of phasing out tariffs by 2006.

New Zealand has a longstanding policy of seeking one-on-one free trade deals alongside its pursuit of trade liberalisation in wider forums such as the Asia-Pacific Economic Cooperation (APEC) grouping, meeting in Auckland this week, and the World Trade Organisation.

"The Singapore and New Zealand governments have been exploring the possibility of a free trade agreement for some time," New Zealand Prime Minister Jenny Shipley said.

"The issue will be considered further during bilateral meetings surrounding the APEC meeting in Auckland this week."

Last year, Singapore exported goods worth NZ$423 million ($225 million) to New Zealand, a 29 per cent increase on the previous year — mainly machinery and electrical equipment.

New Zealand exported goods worth NZ$313 million to Singapore, virtually the same as in 1997 — mainly dairy products, meat, fruit, seafood, timber, paper and wool.

The main sector to benefit from the agreement would be Singapore textile and footwear manufacturers who still face tariffs on exports of around NZ$4 million a year to New Zealand.

New Zealand has launched an initiative to expand CER to a "Pacific-5" free trade group including Singapore, Chile and the United States but a source said the Singapore agreement was not part of this process, which was very much in its formative stages.

Pakistan doesn't see any IMF problem with new tax

ISLAMABAD, Sept 10: Pakistan's Finance Minister Ishaq Dar said yesterday that the government had reached agreement with protesting retail traders on a new tax regime that would satisfy IMF demands for a vital $280 million loan tranche, reports Reuters.

"There will be no complication with the IMF (International Monetary Fund)," Dar told a news conference after two days talks with traders who staged strikes in protest at being brought into the official tax net.

It was not immediately clear whether the pact would satisfy the IMF, which has taken a hard line on getting a general sales tax (GST) imposed to bring the largely undocumented but economically significant retail sector into the tax net.

Pakistan's receipt of the next $280 million tranche of a $1.6 billion 1997 structural adjustment loan is linked to Pakistan's pledges to reform its creaking tax system, which routinely fails to meet ambitious revenue targets.

Dar said that the new agreement, which replaces a voluntary self-assessment scheme on sales, would not allow tax authorities to probe the books of traders, despite donor concern that tax evasion at all levels drains the heavily-indebted country.

The discussions follow a national one-day strike by traders which closed commerce for a day in what was seen as a flexing of muscle by the retail trader community, a key supporter of Prime Minister Nawaz Sharif's ruling Muslim League.

Dar said the government had planned to impose a self-assessed two per cent turnover tax and one per cent income tax from July 1 on small traders but this would be substituted by a development tax from next week.

"Under the agreement with the traders now, they will not pay the two per cent turnover tax or the one per cent income tax. Instead they will pay 0.75 per cent tax on their sales, which will be called development tax and it will be compulsory.

"This is substitution of turnover tax for small traders ... and also prevents taxmen to probe their businesses," Dar said.

The new agreement, which is for a period of two years from September 16, prevents tax authorities from examining the books of the estimated 1.5-1.8 million small traders.

In the absence of an official tax audit, it appeared that the traders would themselves decide how much their sales were and leave the tax authorities guessing at the real size of a sector which dominates daily Pakistani commerce.

The deal satisfied the traders, who said they had called off a three-day strike against GST and other taxation proposals.

"We are withdrawing the strike call for September 17, 18 and 19," said Omar Saliya, chairman of the All Pakistan Organisation of Small Traders.

M A Matin, Chairman of Lexco Ltd, addresses the 19th annual general meeting of the company held at its head office in the city on Thursday. — Lexco photo

ECB in no rate hike hurry

FRANKFURT, Sept 10: European Central Bank President Wim Duisenberg yesterday sketched out a dream scenario for the euro economy, saying he expected strong growth, controllable future, reports Reuters.

Duisenberg, explaining why the ECB left all three of its leading interest rates unchanged at Thursday's general council meeting, said a bias towards tighter monetary policy was creeping into the ECB's thinking only at a "snail's pace" as inflation remained subdued.

While most analysts had not expected the ECB to move rates this week or during the rest of the year, they said Duisenberg's outlook should convert the few who had toyed with the idea of the ECB pulling the rate trigger this year.

Duisenberg said the ECB needed to be vigilant on upward risks to price stability as world commodity price increases fed through. But he concluded that inflation increases were likely to flatten out below the ECB's two per cent ceiling.

"That was the key statement to me. If he is confident enough to say that, there is surely no reason to raise rates soon," said Alison Cottrell, an economist at PaineWebber.

Addressing a news conference after the ECB's biweekly council meeting, Duisenberg said:

"The prospects for a sustained economic upturn in the euro area are good, as are the chances of continued price stability." He added that the bank was now more optimistic on euro-area growth than three months ago.

"It was the perfect exposition of a central bank in neutral. Duisenberg listed all the elements why the economy is growing, but then explained why nothing needed to be done about it," said Cottrell.

Duisenberg said the central bank now expected growth in the euro area to exceed two per cent this year and be higher than between 2.25 and 2.50 per cent in 2000.

Analysts also noted that Duisenberg, while stressing that euro M3 money supply growth continued to run above the ECB's 4.5 per cent target rate, was likely to be distorted by the effects of the launch of the euro.

"Shorter-term monetary developments need to be interpreted with caution," Duisenberg said.

Joachim Fels, senior economist at Morgan Stanley in London, said: "If M3 keeps growing above target, you have to raise rates unless you identify special factors — that's what he did."

As for the timing of the next rate move, analysts believe it may very well coincide with the next wage rounds.

"Duisenberg said 2000 wage rounds will play an important role for the assessment of price stability. The rounds will be around Easter next year — precisely when we see the hike coming," Cottrell said.

Duisenberg, unperturbed by recent criticism of the way he communicates ECB policy, played down a comment he made in July that a tightening bias was creeping into ECB thinking.

"It's still creeping, but at a snail's pace," he said in response to a question, providing further evidence that no monetary policy action is around the corner.

Wagging his finger, Duisenberg also sounded a reminder to European politicians that they should seize on the accelerating economic growth to step up urgent structural reforms.

"My main message to the Ecofin meeting in Finland will be to continue structural reforms," Duisenberg said. He will attend the so-called Ecofin meeting of EU finance and economics ministers in Turku, Finland this weekend.

Duisenberg deliberately stayed away from detailed comments on foreign exchange levels, contrasting with Bundesbank President Ernst Welteke who surprised markets this week by citing $1.05 as the appropriate level of the euro.

Duisenberg confined himself to saying that euro exchange rates at present and over the last four or five weeks were "understandable" and declined to cite a specific level. The euro was trading around $1.054 late on Thursday.

Int'l Centre for Monetary & Banking Studies says

Time has come to shake up IMF, end interference

LONDON, Sept 10: The International Monetary Fund should be made independent so that its response to financial crises does not risk being driven by the political agenda of national governments, according to a report released today, says Reuters.

The study by the International Centre for Monetary and Banking Studies in Geneva said the IMF had made costly errors because its board of directors was not strong enough to stand up to outside political interference and to the Fund's powerful management.

"In many respects, there's a feeling that the IMF is being used very openly by big shareholders, especially the United States," said Charles Wyplosz, one of the authors of the report and professor of international economics at the Graduate Institute of International Studies in Geneva.

Wyplosz told reporters that loans to Russia and Brazil were prime examples from the recent past of politically motivated decisions that have hurt the integrity of the Fund.

He said that although IMF staff opposed fresh lending to Moscow, the US Treasury had pressed hard for it in the interests of political stability in Russia.

"They (the United States) should do it directly and not use the IMF for their diplomacy," Wyplosz said. "The IMF shouldn't go the way of other UN institutions where political interference is happening every day."

The report proposes that the IMF's executive directors, once appointed, be barred from accepting instructions from their governments. "They should serve fixed terms and would not be allowed to take up jobs later with their governments.

To make the board accountable, detailed minutes and voting records would be published. To counter the perception of excessive US influence, the "super majority" needed on important IMF votes should be cut to 80 per cent from 85 per cent.

This would rob Washington, which has a 17.56 per cent stake, of its effective veto, the report said.

The other authors of the report are economics professors Jose de Gregorio of the University of Chile; Barry Eichengreen of the University of California, Berkeley; and Takatoshi Ito of Japan's Hitotsubashi University, who has now joined the Japanese government.

The study also questions the IMF's reaction to recent "high-tech financial crises" rooted in capital account rather than in traditional current account imbalances.