Vietnam's state power plant to get $100m from local banks

HANOI, Oct 16: Electricity of Vietnam Corp and a group of eight domestic banks have signed a landmark credit contract worth $100 million to develop a major power plant in southern Vietnam, the official Vietnam News daily reported Saturday, says AP.

The contract was signed Friday to develop the Phu My 2 phase 1 gas-fueled plant in the southern province of Ba Ria Vung Tau.

It matches the biggest syndicated loan ever made by Local banks and is the largest credit granted to Vietnam's power monopoly by local banks, the newspaper said.

Most of the investment in Vietnam's power industry has come from foreign loans, particularly low-interest overseas development assistance loans.

"Investment in the power sector topped 3.4 trillion Vietnam dong ($242 million) over the period 1995-98, and most of it came from foreign loans," EVN general director Hoang Trung Hai said at the signing ceremony.

"To reverse the situation, one of EVN's policies this year is to attract capital from domestic sources."

The syndicated loan has a 10-year maturity with a two-year grace period, Vietnam News said.

Vietcombank contributed the biggest share, $45 million.

The paper said the loan will go to the EVN-run Phu My 2 phase 1's "Add-on Combine Cycle" project, set up to help the plant run on waste gas from existing gas turbines.

The 600-megawatt Phu My 2.1 power plant is part of the Phu My power plant complex, which includes six thermoelectric plants run by natural gas.

More than 60 per cent of Vietnam's power sector is generated by hydroelectric plants. Demand has been expanding by more than 14 per cent annually in recent years.

Manila raises minimum wage

MANILA, Oct 16: Philippine officials announced Friday a 13 per cent increase in the minimum wage in metropolitan Manila and nearby provinces; but militant workers denounced it as too small, reports AP.

Ciriaco Lagunsad, director of the National Wage and Productivity Commission, said the 25.50-peso ($0.64) increase in the current 198-peso ($4.95) minimum daily wage in the capital area will be implemented Oct 31.

The May One Movement, the country's largest left-wing labour federation, had been seeking an increase of 125 pesos ($3.13) per day.

Other unions have demanded non-wage benefits such as subsidies for basic commodities and fewer deductions from paychecks in order to increase take-home pay by about 250 pesos ($6.26).

Employers' groups have warned that large wage increases could bankrupt small and medium-size businesses, which form the bulk of employers in the Philippines.

"We had to make sure the wage increase won't be inflationary, that it shouldn't create unemployment and that it shouldn't affect the country's economic progress," Lagunsad said in an interview with radio station DZMM.

Regional wage boards, composed of representatives of employers, labour and government, set the wage increases. Metropolitan Manila workers have the highest daily pay in the country.

May One Movement chairman Crispin Beltran said his group "has no choice" but to press for greater wage increases with demonstrations, strikes and work slowdowns.

He criticised President Joseph Estrada as a pro-capitalist who "has consistently conspired with big local and foreign business to keep workers' wages down."

3 cos to create Japan's largest non-life insurer

TOKYO, Oct 16: Mitsui Marine and Fire Insurance Co Ltd and two other Japanese insurance firms will tie up to create Japan's largest non-life insurer, a report said today, reports AFP.

Mitsui, the nation's third largest non-insurance firm, and the other two — Koa Fire and Marine Insurance Co Ltd and Nippon Fire and Marine Insurance Co Ltd — have reached a basic agreement to form a "full alliance," Japan Broadcasting Corp (NHK) said, quoting sources.

The three are considering establishing a holding firm to integrate their operations, the national television network said.

The new firm's premiums will total 1,305.4 billion yen (12.4 billion dollars) with 6,092.6 billion yen in assets, outstripping Japan's largest non-life insurer, Tokyo Marine and Fire Insurance Co Ltd.

NHK also said Sumitomo Marine and Fire Insurance Co Ltd was considering joining the alliance. Talks between Sumitomo and the three are "at the final stage," it said.

With the alliance, the three plan to survive intense competition in Japan's life insurance market as Tokyo liberalises the insurance industry in line with its full-scale financial deregulation, it said.

Clinton's agenda for WTO talks under fire at home

WASHINGTON, Oct 16: Proposals touted by US President Bill Clinton to increase the World Trade Organisation's focus on labour and the environment drew fire Friday from conservative lawmakers and some liberal activists, who derided the initiatives as hollow and counter-productive, reports Reuters.

Trade experts said growing opposition, particularly from free-trade Republicans in Congress, would make it harder for Clinton to advance his agenda at an upcoming meeting of WTO leaders and trade ministers in Seattle.

"The president's (proposals) didn't give us any reason to call off the demonstrations," said Daniel Seligman, director of the Responsible Trade Programme at the Sierra Club, one of the groups organising next month's mass protests against the WTO.

Clinton's plan, unveiled earlier this week, calls for creation of a working group of labour when WTO ministers meet in Seattle from Nov 30 to Dec 3 to launch a new round of global trade talks. The group would look at existing WTO policies to assess their impact on wages and working conditions.

US support for a WTO labour panel was a primary goal of the 13-million member AFL-CIO labour federation, America's largest union. While supportive of Clinton's initiative, the group said it was only a first step. "We obviously want more," said Thea Lee, assistant director of public policy at the AFL-CIO.

Clinton also proposed moving environmental issues higher up the agenda in world trade talks in an effort to blunt charges that free trade hurts wildlife.

Washington said its goal was to eliminate tariffs on environmental services and technologies to promote their wide distribution, and to work to eliminate commercial fishing subsidies and farm export subsidies which can hurt wildlife.

But these proposals have already run into resistance in the Republican-controlled Congress.

Some conservative lawmakers argue that labour and environmental issues should be left to other international organisations so the WTO can focus on free trade.

Senate Finance Committee Chairman William Roth said he had no problem with a working group that would look at labour issues, but warned Clinton against taking the initiative any further.

"Any attempt to use the WTO as a forum for the negotiation of labour or environmental standards is, due to the opposition of our trading partners and because of the organisation's lack of competence in these areas, bound to fail," the Delaware Republican said in a statement.

"If we pursue that course, we will prevent any agreement on trade or on labour or the environment."

Free-trade Republicans in the House of Representatives were also sceptical of Clinton's approach. Illinois Representative Philip Crane, who will lead a congressional delegation to the Seattle meeting of the WTO, has taken his concerns directly to US Trade Representative Charlene Barshefsky.

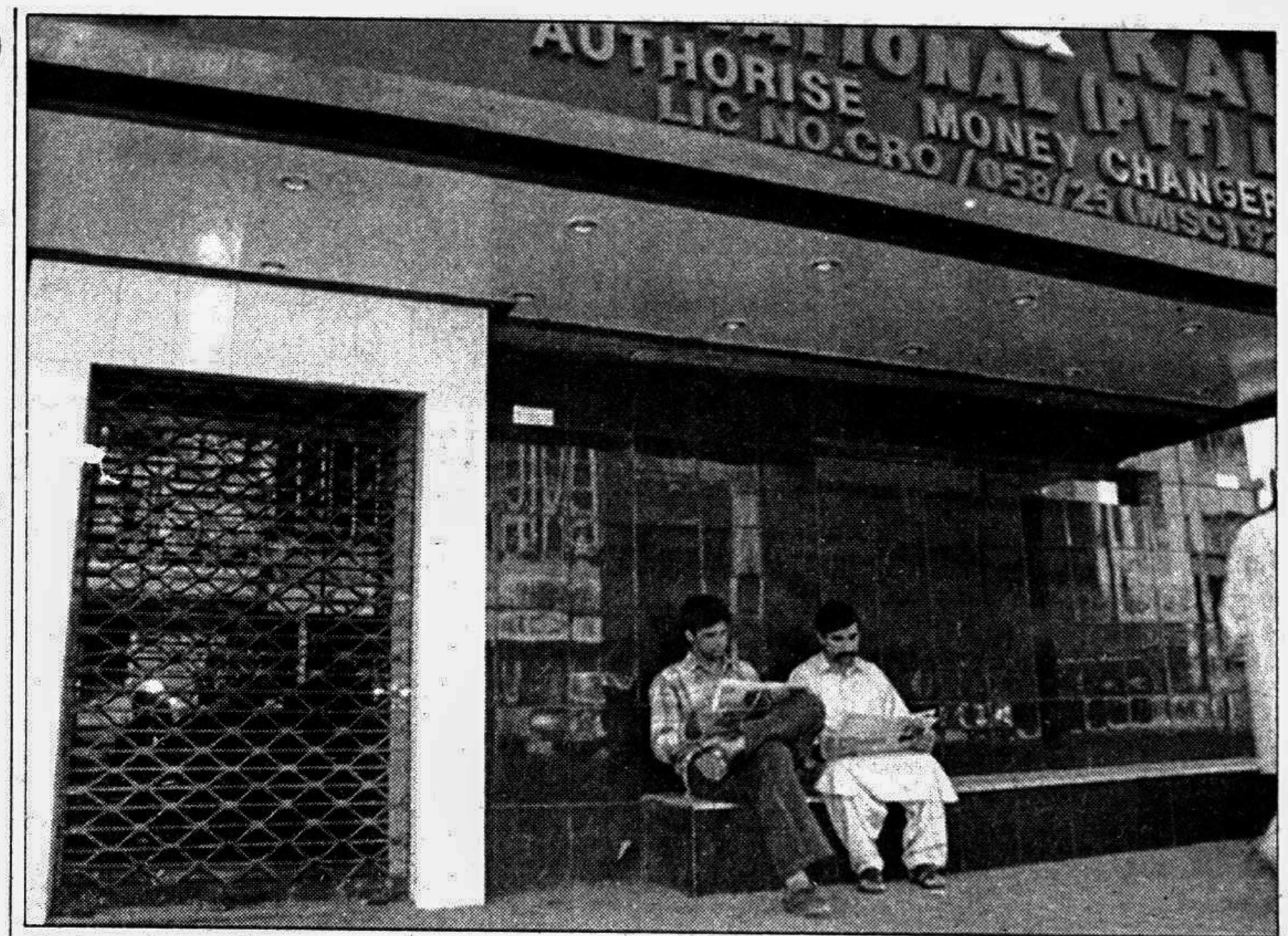
Prominent liberal activists were also unhappy with Clinton's proposals, saying they offered little more than token reform.

Consumer rights group Public Citizen, founded by crusading advocate Ralph Nader, said Clinton's working group on labour would be "toothless" which no influence in WTO deliberations.

"This is way too little, too late," said Public Citizen spokesman Patrick Woodall. "It's a complete sham. It's a complete disaster."

Environmental activists were equally unimpressed.

"The proposals are really recycling old ideas that haven't gotten anywhere," Sierra Club's Seligman said. "The administration is in denial about the need to fix current trade rules so that they no longer undermine our public health and environmental laws."



People read newspaper outside the closed office of a foreign currency traders in the port city of Karachi Saturday. Pakistan's central bank temporarily suspended the activities of all authorized foreign exchange dealers Friday, as the imposition of military rule sparked fears of an outflow of hard currency. —AFP photo

Microsoft Chairman Bill Gates addresses a business conference on Friday in Madrid on Microsoft's new "Knowledge Management" software. —AFP photo

Indian stocks may attract fresh buying interest next week

BOMBAY, Oct 16: Indian shares are expected to attract fresh buying interest next week at the present attractive price levels, brokers forecast today, reports AFP.

On the Bombay Stock Exchange (BSE), the 30-share sensitive index was down 97.72 points, or 1.9 per cent, to close the week Friday at 4,884.02 points over the previous week's close.

The100-share national index was down 27.47 points, or 1.2 per cent, to close the week at 2,302.04 points over the previous week.

The BSE index had Thursday closed at all-time high of 5,075.39 points following the return to power of Prime Minister Atal Behari Vajpayee's Hindu nationalist-led coalition.

The market was particularly cheered that Finance Minister Yashwant Sinha, a bureaucrat-turned economic reformer, had retained his portfolio.

Sihna on Thursday promised more "big ticket" reforms, particularly in insurance, information technology, capital markets and industry.

But the index plunged almost four per cent Friday in response to trader-led unwinding following the military coup in Pakistan and Sinha's warning of a likely internal debt trap.

Broker Gaurav Sanghvi said the market had been "brought down to attractive levels" this week.

The markets are closed Tuesday for a Hindu holiday and will reopen on Wednesday.

Broker Ajit Ambani expected "good buying interest" from Wednesday.

"We will see good buy levels for institutions," he said. "A lot of attractive opportunities are seen coming up"

Brokers said next week's focus of interest would be stocks of cement, computer software, pharmaceuticals and other commodities.

BoT says Thai problem loans peaking

BANGKOK, Thailand, Oct 16: Thailand's central bank governor said Friday that problem loans amounting to nearly half the lending in the financial system have peaked, an important step in rebuilding Thailand's battered banks, reports AP.

Chatu Mongol Sonakul told reporters that the local banking system would need up to 150 billion baht ($3.8 billion) to fully provision against nonperforming loans before the end of next year.

But Standard and Poor's a ratings agency, said in a report Thursday that the banking system needs 863.5 billion baht ($22 billion) to absorb losses on problem loans and recapitalise to allow new lending.

The central bank's estimates are based on a minimum level of loan-loss reserves banks must build up before the end of 2000.

After that, Chatu Mongol said, banks would have to raise capital for business expansion or loan growth, but not to absorb losses stemming from the Asian economic crisis that erupted in mid-1997.

Chatu Mongol said that state-owned banks — which have a higher proportion of dud loans than private-sector banks — wouldn't come under huge capital pressures because the government will ease their burden.

In the sale of nationalised Radanasin Bank PCL to Singapore's United Overseas Bank this month, the central bank agreed to transfer problem loans to an asset management corporation.

Motorola sales up 7pc in 3rd quarter of '99

CHICAGO, Oct 16: Sales of digital mobile phones gave Motorola Inc's revenue a boost, helping the company post third-quarter earnings that met expectations as it continues an impressive comeback from a bad year, reports AP.

The world's No 2 maker of cell phones, which lost the top spot to Nokia in 1998, on Tuesday reported a 7 per cent increase in overall sales for the third quarter over the same period a year ago.

Much of the gains were in digital cell phones, where sales and orders increased sharply in the Americas, Europe and especially Asia.

Motorola also is the world's third-leading semiconductor maker, and a strong showing in semiconductor sales helped it to overcome a significant charge for its disastrous investment in Iridium, the ambitious satellite-based mobile phone network that filed for bankruptcy in August.

For the period ending Oct 2, the company's third-quarter operating earnings excluding special items were $332 million, or 53 cents per share, compared with $40 million, or 7 cents a share, for the same period a year ago.

That matched the 53 cents anticipated by securities analysts in the most recent survey by First Call/Thomson Financial, although some analysts said the "whisper" on Wall Street was that it would be 55 or 56 cents.

It also helped show that the Schaumburg, Illinois-based communications and equipment maker is rebounding well from a rought stretch in which it underwent a billion-dollar restructuring and laid off 24,000 people in late 1998 and early 1999.

Although there is good news in the report, "I think the Street will be disappointed they didn't give us a little more on the bottom line," said analyst Pete Peterson of Volpe, Brown, Wheland and Co in San Francisco, referring to hopes the company would beat expectations.

Motorola said third-quarter sales were $7.7 billion, up 7 per cent from $7.2 billion for the same period a year ago.

Malaysian bank mergers to finish by end of 2000

PUTRAJAYA, Malaysia, Oct 16: Prime Minister Mahathir Mohamad said today that Malaysia's banks might not be able to finish merging by the deadline next April, but he expects them to finish the consolidation plan by the end of 2000, says Reuters.

Mahathir said banks had been shocked by a central bank plan, announced in July, directing all 58 financial institutions to merge into six core groups by April 1, 2000.

The prime minister, speaking to Reuters in an interview, said the government can afford to show flexibility in the merger programme now that all institutions have met a September 1 deadline for signing memoranda of understanding.

"In the first place, we need to shock the banking community into acting," he said. "We have been asking them to merge for a long, long time, but they have not done anything. So you need to come with a big stick over their head."

"They can be seen that they are willing to comply. They have signed the memorandum. We can then feel that we can be more relaxed over this issue."

Mahathir was speaking from his new office in the administrative capital Putrajaya just south of Kuala Lumpur.

Mahathir acknowledged that banks might not meet the April 1 deadline for finishing the ambitious merger programme.

"They may not," he said. "That is the reason why we said we want to be flexible. And of course there may be lots of problems faced by them over mergers. Mergers have never been very easy."

Asked when he would like the mergers to be completed, he said: "We hope that by next year, some time next year."

He replied, "Probably by the end of 2000," when asked if he expected the mergers to be finished by the end of 2000.

Mahathir, who earlier this month distanced himself from the central bank's merger plan by saying more than six super banks could emerge from the plan, said he did not want to say how many banks he felt should end up surviving.

"I can't say that because if I say that, it becomes almost a directive. I would rather not say and leave it to them."

Asked if six banks would be too few, he said: "Six is a good number if you really want to have big banks."

He said some believed the nation needed small banks because they are more personal in their dealings with their clients. "So we have to look into that too."

Mahathir dismissed criticism the government had undermined its credibility by reopening the initial bank merger plan.

"We have always been very pragmatic. We have always been very flexible, and when we make decisions, we know the decisions are never perfect. If you don't respond to the circumstances, then your directives are bound to fail."

Asked if he saw eye-to-eye with Finance Minister Daim Zainuddin over bank mergers, Mahathir said.

"All these things are discussed in the executive committee of the National Economic Action Council before they are implemented. If there are corrections to be made, these corrections are discussed and also agreed upon before we decide."

Intel to buy DSP Communications for $1.6b

NEW YORK, Oct 16: Intel Corp. is paying $1.6 billion to buy DSP Communication Inc., a maker of microprocessors for mobile phones, in a bid to extend its dominance in computer chips to the coming boom in wireless devices with Internet access, reports AP.

DSP supplies integrated circuits and related system software for mobile phone manufacturers based on the wireless technology called digital signal processing.

Its customers include Lucent Technologies, Motorola, NEC, Denso, Kyocera, and Sanyo. The company is based in Cupertino, California, though most of its operations are located in Israel.

For Intel, the deal adds a key technology that's at the very heart of the latest rage in the technology and telecommunications industries.

While beepers and other wireless devices with online services and e-mail are already available, untethered Internet access has emerged as an especially hot theme since the introduction last month of Web phone service by Sprint PCS.

This week's Telecom 99 trade show in Switzerland has been largely a frantic dash to unveil new capabilities for the first wave of wireless Internet phones, as well as future devices based on the next generation of wireless technology.

Japanese youths inspect the iMac DV from US computer-maker Apple Computer Inc, at a department store in Tokyo Saturday. The firm started selling the lap-top iBook and desktop iMac DV in Japan on the day at a price of 198,000 yen (1,860 dollars). —AFP photo

Commodity: Weekly Roundup

Oil passes a volatile week amid nervy trading

LONDON, Oct 16: Oil prices were volatile this week amid nervy trading, but ended the week higher due primarily to a sharp contraction in US stock levels, reports AFP.

On the New York Mercantile Exchange (NYMEX), light sweet crude prices were unchanged at 22.45 dollars at the end of a see-saw week.

Brent North Sea crude prices on the International Petroleum Exchange (IPE) rose to 21.66 dollars for December delivery, from 20.57 dollars last week.

London prices touched 22.60 in midweek, making up ground lost earlier in the week, after US oil stocks were shown to have fallen by an unusually sharp 7.1 million barrels in the week to last Friday to stand at 298.9 million barrels.

"The key figure is the crude draw which gives a hefty reminder that the OPEC cuts are having an impact and will reduce stockpiles sharply this winter," said the GNI brokerage, referring to an output cutback agreement by the Organisation of Petroleum Exporting Countries.

The March pact to squeeze supply by 1.7 million barrels per day has reduced stockpiles and helped prices more than double from low points in February of below 10 dollars a barrel.

Earlier in the week prices fell back as the latest data from the International Energy Agency contended that the 11-nation OPEC had boosted output by more than 400,000 barrels a day in September, and compliance with the March pact had dropped from 94 per cent in August to 86 per cent in September.

Rubber: Ball. Rubber prices advanced in jittery trading this week which was affected more by weather conditions in Thailand and Malaysia than by the long-predicted demise of the International Natural Rubber Organisation, INRO.

Good demand from tyre producers also helped prices, dealers said.

INRO collapsed after Thailand and Malaysia quit the trade association citing its toothlessness over controlling prices. Sri Lanka also pulled out.

The London rubber index rose to 450 pounds per tonne (for November delivery) from 445 pounds and to 465 pounds (for December) from 450 pounds.

In Kuala Lumpur, the RSS1 index rose to 2.45 ringgits per kilo from 2.36 ringgits.

The SMR 20 index for rubber used in tyre manufacture rose to 2.50 ringgits per kilo from 2.41 ringgits.

Cocoa: Warm. Cocoa prices gently advanced this week, following other commodities such as coffee, with trading still cautious as dealers look for signs of how the deregulation of the Ghanaian and Ivorien markets will impact sales over the coming year.

On the London market, prices for December delivery pushed up four pounds to 660 pounds a tonne.

Some analysts say that cocoa farmers in the world's number one producer nation Cote d'Ivoire might hang on to their crop because they are not happy with prices proposed by the new private-sector buyers that have replaced the previous state-run purchaser.

Coffee: Strong. Coffee prices jumped on international markets this week as fears rose of dry weather in Brazilian producer regions.

In London, Robusta prices for January delivery rose 69 dollars to 1,266 dollars a tonne.

Prices on the New York market for Arabica beans rose to 109.25 cents a pound (for March delivery) from 88.30 cents a pound.

Markets had rised even higher but lost some ground on Thursday as rain was forecast for the weekend and the start of next week over Brazil's producer regions.

Tea: Weak. Demand was rather fitful and prices weaker in the Mombasa auction houses, the London Tea Brokers Association said.

High quality BP1 (Broken Pekoe) leaves were little changed, but average lots lost up to four cents a kilo.

Better PF1 (Pekoe Fannings) shredded leaves lost between six and 30 cents a kilo, while average specimens lost between eight and 19 cents, while the lesser leaves lost up to 20 cents.

Sugar: Bitter. Sugar prices fell slightly in the absence of fundamental news.

Dealers were still trying to assess the likely demand from Russia this winter.

March contracts on the London market fell to 186.5 dollars a tonne from 189.5 dollars last week.

In New York, white sugar prices fell to 6.69 cents a pound from 6.72 cents.

Speculation over the size of forthcoming imports into Russia provided a rate note of interest. The country has already imported 5.2 million tonnes of sugar this year.

Vegetable oils: Warm. US soya prices gained from hot dry weather in northern Brazil, which came to delay sowing of plantations there.

In contrast, US farmers enjoyed favourable weather for the MidWest harvest, thereby keeping the rise in prices somewhat subdued.

On the Chicago Board of Trade (CBoT), a bushel of soya gained seven cents to 4.96 dollars (for November delivery).

No prices were available for the Rotterdam market at the time of writing.

Grains: Crumble. US grain prices eased further this week due to weak demand and good harvesting weather out on the plains of the Midwest.

In Chicago, a bushel of wheat (27.2 kg, for December) shed another three cents to 255 cents amid thin demand.

The military coup in Pakistan further depressed sentiment as it cast doubt on future demand from the troubled country.

Maize prices fell two cents to 201 cents a bushel (of 25.4 kg, for December delivery). The market was still waiting for US weekly figures on sales, which were to be published on Friday instead of Thursday due to this week's Columbus Day holiday.

In London meanwhile, wheat prices gained 1.65 pounds a tonne to 70.35 pounds per tonne (for November delivery).

Cotton: Picking up. US cotton prices gained ground this week as speculative buying reemerged and fears grew of a new hurricane threat to producer regions in the US Southwest.

But in the world's largest producer China, prices tumbled by as much as 46 per cent following the decision by the state not to intervene to prop up the market for the rest of the year.

Hurricane Irene was swirling around the Carribean on Friday, with Florida, Georgia, Alabama and the Carolinas braced for a sudden change of direction.

December contracts in New York stood at 54.51 cents a pound while October contracts were unmoved at 49.25 cents a pound.

Cash prices covered by the Cotton Outlook index nudged up to 47.50 cents from 478.35 cents.

Wool: Warm. Wool prices were generally higher after a British auction that met with healthy demand.

In Australia, demand for superfine merinos was strong, and the Eastern index closed four cents higher at 553 cents a kilo. The Wooltops index was unmoved at 277 pence a kilo.