ADB okays $5.6m to boost agri research

MANILA, Oct 22: The Asian Development Bank (ADB) said Friday that it has approved a 5.6-million-US dollar technical assistance grant to support studies aimed at boosting agricultural productivity and farm incomes in the world, says Xinhua.

In a press statement released here, the ADB said the assistance will be given to international research institutions to help them conduct five independent but mutually supportive research studies.

The studies cover five areas: — Development of sustainable forage technologies for resource-poor upland farmers in Asia; — Farm soil and water management for sustainable agricultural systems in Central Asia; — Irrigation investment, fiscal policy, and water resource allocation; — Conservation and use of native tropical fruit species biodiversity in Asia; — And the building of performance based management systems in the national agricultural research system in Asia.

The studies, the Manila-based international financial body said, will be conducted at the research centers of the Consultative Group on International Agricultural Research (CGIAR).

The CGIAR, according to the ADB, is a grouping which provides financial support to 16 international agricultural research centers in developing countries in Asia, Africa and Latin America.

The centers charged with the above five areas of studies are the International Center for Tropical Agriculture in Colombia, the International Center for Agricultural Research in the Dry Areas in Syria, the International Food Policy Research Institute in the US the International Plant Genetic Resources Institute in Italy, and the International Service for National Agricultural Research in the Netherlands, the ADB said.

Malaysia's reserves fall

KUALA LUMPUR, Oct 22: Malaysia's international reserves have taken their steepest fall since Asia's financial crisis erupted in mid-1997 as borrowers repay foreign loans, reports Reuters.

The central bank reported today that its gold, foreign exchange and other reserves fell to 113.95 billion ringgit on October 15, their lowest level in four months and down from 119.28 billion at the end of September.

It was the largest two-week drop since July 1997 at the outset of Asia's financial crisis and marked an abrupt change in course for reserves, which had been mounting steadily since Malaysia imposed capital controls in September 1998.

In US dollar terms reserves fell to $29.99 billion on October 15 from $31.39 billion on September 30.

Reserves were at their lowest level since May 32 when they stood at 113.17 billion ringgit, or $29.78 billion.

A government official said the decline was due mainly to loan repayments and not outflows of foreign investment.

"There was very little by way of portfolio outflows," the official, who asked not to be identified, told Reuters. "Most of the decline was in the area of loan repayments."

Analysts had speculated that the drop in reserves could have stemmed from accelerated outflows of foreign portfolio investment, which began picking up before a restriction on repatriation of foreign principal was lifted on September 1.

Between mid-July and the end of September, there was a net outflow of $1.6 billion in foreign portfolio investment.

The government official did not indicate how much of the decline in reserves was attributable to loan repayments and how much to investment outflows.

China slashes internet fees to spur industry

SHANGHAI, Oct 22: China has cut Internet access fees for a second time this year to spur already explosive growth in the industry, slashing some by more than 80 per cent, state media said Friday, reports AP.

Fees charged by state-owned telecommunications companies to Internet Service Providers were cut Oct. 1, the China Securities News said. The government apparently wanted the cuts passed on to consumers, but the report didn't say whether the state-mandated 4 yuan ($50) per hour fee charged by ISPs would be cut.

China has aggressively pushed Internet use for economic development. The communist government also has tried to block its use in spreading dissent.

There were 4 million Internet users in China in June, up from 2.1 million at the end of last year, according to the government.

Under the new fees, monthly rental for domestic long-distance digital lines linking provinces was cut by 81 per cent to 80,000 yuan ($ 9,660), the Securities News said.

Rental rates for digital data lines were cut by 45 per cent, for switching stations by 53 per cent and for links to foreign digital lines by 31 per cent, the newspaper said.

Nationwide truckers' strike enters second day

Vajpayee refuses to roll back diesel prices

NEW DELHI, Oct 22: Indian Prime Minister Atal Behari Vajpayee said today that the government is not planning to reverse a recent increase in diesel prices as demanded by striking truckers, reports Reuters.

"There are no plans to reduce diesel prices," Vajpayee told reporters in parliament when asked if the government would accept the strikers' demands.

An AFP report from Bombay says, Industrial and commercial activity in India's commercial hub Bombay was paralysed today as about 150,000 trucks stayed off the roads for the second day demanding a rollback of diesel prices.

"Not a single truck is moving in Bombay and Maharashtra today," Rajkumar Jain, president of the Bombay Goods Transport Association (BGTA), told AFP in this city, capital of Maharashtra state.

"Trucks which had taken in cargo the day before yesterday, came in Thursday, but today everything is shut," Jain said.

Jain said the truckers were determined to continue the strike "till the diesel price rise is withdrawn."

In New Delhi, Transport Minister Nitish Kumar said the government would not scale down the 35-per cent hike in diesel prices and urged the truckers to call off the strike. He said talks were on with the truckers.

The government today released newspaper advertisements explaining the reasons for the price increase.

Jain of the BGTA dismissed the government's stand as "irrational."

"The government is distorting facts to suit its arguments. Instead of increasing the price of diesel, it should review the whole fuel pricing policy and subsidies.

"Why does the government continue to heavily subsidise kerosene. Most of the kerosene imported is used for adulterating diesel, and not as fuel by the poorer sections of society," he said.

Jain slammed the "adamant" stance of the government.

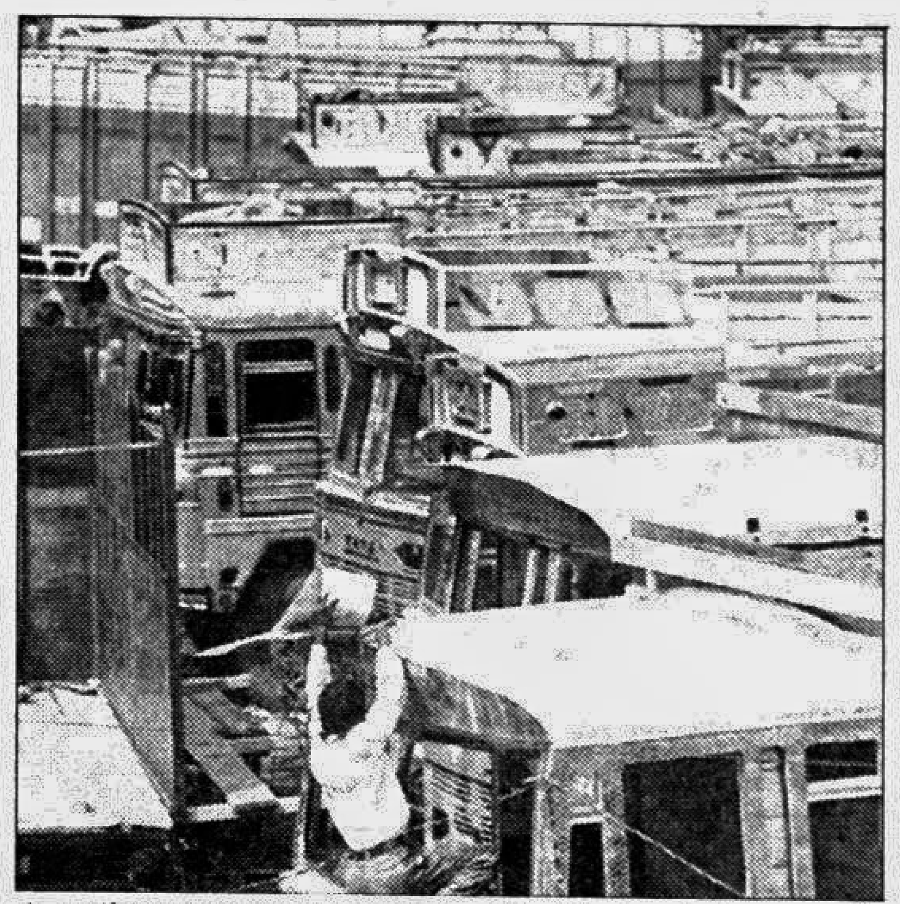
"The government is adamant and unrelenting. We have no choice as it is a question of our survival. Customers will not accept it if we pass on the hike to ... " he said.

Newspaper reports said prices of essentials had shot up in the city on panic buying on the first day of the strike.

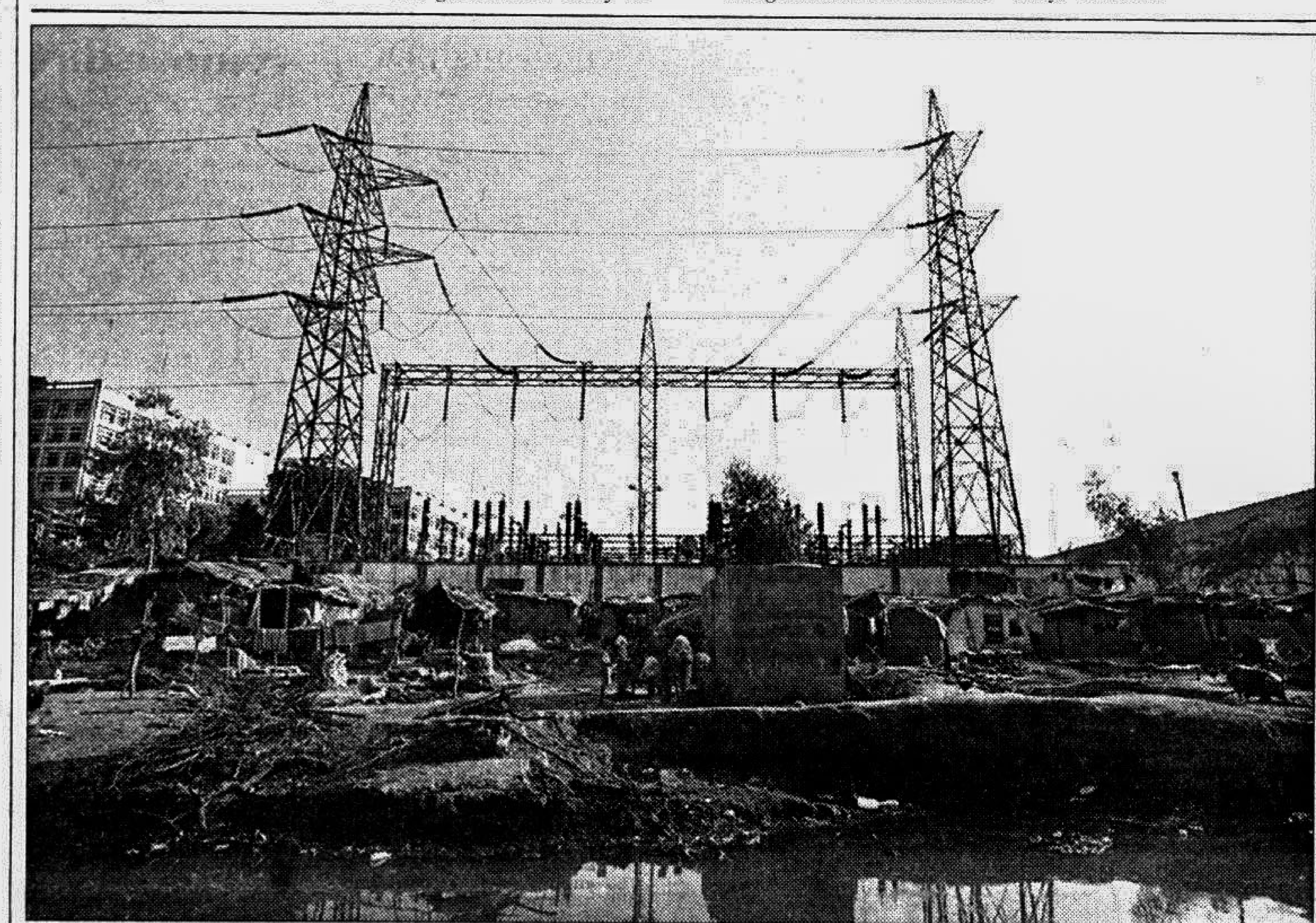
Trucker Ramesh Tuli, at Kartar Carriers, said the industry was "being squeezed between the government and customers.

"Actually, if the price had gone up gradually, it would not have been such a blow. But such a steep hike is too much for even any industrial house, given the current economic slowdown.

"It will considerably depress operating margins for everybody," Tuli said.



A striking transport worker refits his truck in a north Delhi depot Friday as hundreds of other trucks lay idle. Indian Prime Minister Atal Behari Vajpayee ruled out a rollback of diesel prices as more than two million truckers stayed off the roads for a second day of protest over the steep increase. — AFP photo



View of a sprouting shantytown erected near an electrical power plant in New Delhi, as seen on Friday. A recent report on India's readiness to deal with the Y2K problem claimed that 97 per cent of the power generation capacity was Y2K compliant, though people have voiced concern over the chronically power-short national grid's ability to cope. — AFP photo

Weekly Currency Roundup

October 17-October 21, 1999

Local market

Last week was a short one for the local foreign exchange market due to holiday and general strike by the opposition in the later part of the week. The demand for dollar was remained in the same state as the preceding weeks. The market was long in dollar and the demand for dollar did not perk up significantly during the week. The influx of dollar has occurred due to inward remittances and import did not increase sufficiently to boost the demand of dollar. As a result, last week in the interbank market the dollar traded in a range of BDT 49.480 to BDT 49.500. Cash US dollar traded in the higher range of BDT 51.600 and BDT 51.80 during the week.

The demand for call money was steady and the call rate fluctuated between 5.5 to 6.5 per cent. Last week Bangladesh Bank accepted Treasury Bills worth of BDT 11644 mio of which BDT 11159 mio for 28 days at an average rate of 6.77 per cent. BDT 50 mio for 91 days at an average rate of 7.00 per cent. BDT 220 mio for 182 days at an average rate of 7.86 per cent. BDT 140 mio for 364 days at an average rate of 8.15 per cent and BDT 120 mio at an average of 8.93 per cent for 2 years.

International market

In the international markets in the early parts of the week, dollar fell to a two-week low against yen briefly falling to 105 yen level in early European trading amid worries about declines in US stocks. On the preceding Friday before last week a 2.6 per cent drop in the Dow Jones Industrial Average hit the dollar as it fueled fears that a collapse in US shares would feed through a sell off of the US currency. The market players were of the opinion that dollar's slide against yen is not likely to go much further as Japanese stocks were also falling and that could hamper bullish sentiment on yen. In the middle of the week dollar's losses against the euro and the yen were halted on Tuesday after an overnight rally in US stocks but currency traders were nervously watching for US assets reaction to inflation data. At this point of time US currency was taking cue from the Dow Jones Industrial Average amid concern that a collapse in the stock market could spill over to sell off in the dollar. The currency market thought that euro was expected to gain against dollar if the US stock market fell on inflation worries. The euro had been on demand amid speculation that European Central Bank is going to raise interest rates to fend off inflationary pressures as the economic recovery gathers pace. In the later part of the week trade was range bound ahead of the European Central Bank's policy setting meeting due later today. Market analysts were of the opinion that euro interest rates will remain unchanged for the time being but will be hiked at least by 50 basis points in next ECB meeting scheduled in November 4, 1999.

— *Standard Chartered Bank*

Oil prices soar as exporters consider longer output cuts

LONDON, Oct 22: Oil prices rose sharply yesterday after major exporting nations said they were considering extending the duration of limits on output beyond the end of next March, reports Reuters.

International marker Brent crude traded 40 cents higher at $22.27 a barrel after comments from three of the major exporters who banded together earlier this year to restrict supplies.

Mexican Oil Minister Luis Tellez said he would propose that OPEC and non-OPEC exporters maintain a tight leash on production into the second quarter of next year.

"We will propose to our colleagues in Saudi Arabia and Venezuela, so that they in turn propose to OPEC that there should not be an increase in supply," Tellez told reporters.

"Exported quantities after March will have to be very similar to those we have now in order to avoid what we went through at the end of last year," he added.

The Organisation of the Petroleum Exporting Countries and a handful of non-OPEC states agreed last March to remove some five million barrels a day from the 75 million barrels daily world market for a year in an effort to lift prices from below $10 a barrel.

Saudi Oil Minister Ali al-Naimi on Wednesday started what appeared to be an organised effort to maintain the impetus behind this year's sharp rally in prices.

The output cuts pushed the price of Brent to a peak of $24.30 in early October before speculators starting taking profits from the eight-month-long rally.

At an industry conference in Houston Naimi said there was no chance output curbs would be lifted before the end-March deadline, adding that the restrictions might even be extended.

The duration any proposed extension was not made clear.

"I think inventories were just built too high in 1998 and the beginning of 1999 I believe they are coming down but they are not coming down fast enough, partly because real demand has yet to pick up," he said.

"It all depends on what things look like in March but it is not unreasonable that production will be maintained at that level," he added.

The Saudi and Mexican statements followed an impromptu meeting on Tuesday in Amsterdam between the two oil ministers to review market conditions.

Saudi Arabia is OPEC's most influential member country and together with Venezuela and non-OPEC Mexico was the driving force behind the supply curbs.

"This serves to remind the market that there is a coordinated policy among the big producers and that they will continue to coordinate policy," said Peter Gignoux, head of the London energy desk at brokers Salmon Smith Barney.

Iran's OPEC governor Hossein Kazempour Ardebili on Thursday said his country would support an extension to output cuts if excess stockpiles remained in place next March.

"If the market is going to stay weak and if stocks are not withdrawn adequately, yes, we are for an extension of the current level of production," Ardebili told Reuters from Teheran.

Before the Naimi's comments prices had came under pressure from latest data from the United States on inventories of crude and petroleum products.

The US Department of Energy's Energy Information Administration said national crude stocks rose 3.4 million barrels to 300.7 million in the week to October 15.

UN report says

Women still earn two-thirds of men's salaries

UNITED NATIONS, Oct 22: In the last two decades, more women have secured paying jobs, but they still earn two-thirds of what men make and often give up more than half of their salaries to male family members, a UN report said Thursday, reports AP.

The 1999 World Survey on the Role of Women in Development will provide fodder for next year's General Assembly review of progress since the 1995 UN women's conference.

The 75-page report was prepared by the UN Department of Economic and Social Affairs — which compiled statistical and anecdotal evidence from trade and labour organisations, UN agencies and voluntary organisations.

Angela King, the UN special adviser on gender issues and advancement of women, said the issue of women and labour has been "very neglected" and the report was aimed at targeting economic disparities.

"Women — universally — are oppressed, deprived and are discriminated against in the economic field," she told a news conference launching the report. "Without economic empowerment, women cannot rise to decision making."

The good news is that, overall, more women have access to jobs, the report said.

An Indonesian dealer holds up US dollar bills at a money changer in Jakarta on Friday. Share prices continued to rise while the rupiah firmed further against the greenback amid market euphoria over the election of popular opposition leader Megawati Sukarnoputri as vice-president. — AFP photo

Kuwait plans to deposit 79 MT of reserves with BoE

Gold prices drop to record low

NEW YORK, Oct 22: Gold retreated for the fourth straight day, nearing the psychologically-important $300-an-ounce level after Kuwait proposed to loan its gold, easing supply tightness which helped launch the metal to two-year highs two-weeks ago, says Reuters.

"I think the bulls are a little bit discouraged with the fact that there doesn't seem to be that tight a situation in the lending market," said David Rinehimer, director of commodities research at Salomon Smith Barney.

Spot bullion touched its lowest levels since October 1, two trading days before it hit a 23-month high $338. It was quoted late at $303.00/6.00, compared to the late London fix at $302.85 and Wednesday's New York close at $305.30/7.30.

COMEX December gold fell $1.80 to $305.50 an ounce, tracing a relatively-tight $307.90-$302.20 range. Traders said the action was subdued compared to the hectic moves on the way up.

Kuwait said on Thursday that it planned to deposit its 79 tonnes of zero-yield gold reserves with the Bank of England for investment on world markets "to boost central bank returns."

The surprise Kuwaiti news was in juxtaposition to the gold sales and lending cap announced late last month by 15 European central banks, which sent prices streaking past $300 an ounce and wreaked havoc on a market caught betting gold was still heading lower after setting 20-year lows this summer.

"What it says is that just because the (European central banks) are not in there, it doesn't mean that everyone else doesn't have the freedom to do whatever they want," said Donald Eckert, global bullion risk manager at Chase Manhattan.

The lending news helped ease short-term gold lease rates back under two per cent from their recent sky-high 10 per cent, as the cost of funding forward gold sales became unbearably expensive for mining companies and speculators.

To protect unmined gold from falling prices, producers can borrow metal then sell it forward, expecting to buy back these shorts and repay loans at a later date, after the gold is dug.

Some producers who had hedged used more complicated options structures before gold's spike. Of these, Ghana's Ashanti Goldfields Co. Ltd was the biggest to be brought to its knees, mostly by huge derivatives losses caused by the rally.

The move back down on Thursday may have bought Ashanti some more breathing room with creditors.

The company, Africa's third largest producer, secured a further unspecified short-term reprieve on option margin calls by its hedge counterparties after the last standstill expired on Thursday.

"We're in a holding period here until the air clears on this mini credit crunch with all the gold mines — (to see) whether people are still going to deal with them or who's going to go under and all that fun stuff," Chase's Eckert said.

December silver rose 2.8 cents to $5.233 and ounce, trading between $5.15 and $5.25. Spot silver fetched $5.20/23, versus the $5.1725 fix and $5.17/21 late Wednesday.

NYMEX January platinum fell $2.00 an ounce to $411.70.

UK growth figures fan rate hike fears

LONDON, Oct 22: The British economy grew at its fastest rate for two years in the third quarter, official figures showed today, fanning speculation the Bank of England will raise interest rates again next month, says Reuters.

The office for National Statistics said gross domestic product (GDP) grew by 0.9 per cent on the quarter, to leave it 1.8 pre cent higher than a year ago. Analysts had expected figures of 0.8 per cent and 1.7 per cent respectively.

If the economy continues to forge ahead at its current pace, annual growth will be around 4.0 per cent, well above the average rate over the past 40 years of 2.25 per cent. That will set alarm bells ringing at the bank, particularly among the more hawkish members.

"The chances of a quarter per cent rate increase in November now seem overwhelming," said Investec economist Philip Shaw.

"Just as the Monetary Policy Committee was prepared to do whatever it took to avoid a recession at the turn of the year, it will not shy away from taking a number of difficult decisions to prevent the economy overheating, despite a very benign short-term inflation outlook."

The MPC left interest rates on hold earlier this month at 5.25 per cent. Minutes from that meeting showed the nine-strong committee was relaxed about Britain's inflation prospects, and even suggested there were "a few signs that domestic demand growth could perhaps be moderating."

"This morning's data suggest fairly forcefully that this view is misplaced," said Shaw.

John Shepperd, economist at Dresdner Kleinwort Benson, agreed demand in the economy was looking robust.

Major Japanese firms plan to cut 140,000 jobs

TOKYO, Oct 22: Major Japanese companies are reducing at least 140,000 jobs, or 12 per cent of the workforce, in the 15 years to 2011 to cut costs, a labour ministry spokesman said today, reports AFP.

In a survey of 41 large corporations with plans to cut 1,000 or more jobs, the ministry found a total of 142,000 jobs targeted for elimination during the period, the spokesman said.

Labour Minister Takamori Makino reported the survey results to Prime Minister Keizo Obuchi earlier in the day.

The companies planned to achieve the reductions by cutting hiring and natural attrition, rather than sacking which is anathema in Japan.

"There were no plans for outright dismissals," the official said.

The figure does not include a major restructure announced Monday by Nissan Motor Co Ltd.

The troubled car maker stunned Japan by announcing it would close five plants and cut 21,000 jobs.

The labour minister voiced concern over Nissan's plan.

"I am worried about its impact on regional economies," the minister told a news conference.

Japan's unemployment rate in August stood at 4.7 per cent, compared with a record-high 4.9 per cent in the previous month, according to the latest government data.

$1.46m ADB grant for Colombo Port expansion

MANILA, Oct 22: The Asian Development Bank (ADB) said today that it has agreed to provide a 1.46-million-US dollar technical assistance grant for the development plans for the South Harbour at the port of Colombo, Sri Lanka, says Xinhua.

In a press statement released here, the ADB said the study, financed by the ADB's Japan Special Fund, will determine the viability of building a breakwater for additional container terminals to be constructed.

With an annual growth of 14.4 per cent over the last 10 years, the ADB said, the Colombo port, Sri Lanka's main gateway to global trade, has experienced a big increase in container traffic.

In 1996 and 1997, container traffic increased by 29 and 22 per cent respectively, the ADB said, adding that the expansion is urgently needed to meet expected rising demand up to the year 2003.

The total cost of the study is 1.83 million dollars equivalent and co-financing may be provided by the Overseas Economic Cooperation Fund of Japan, the World Bank and others, the ADB noted.

The executing agency of the ADB's grant will be the Sri Lankan Ports Authority, the Manila-based international financial body added.

US for boosting Chinese economy, domestic demand

WASHINGTON, Oct 22: US Treasury Secretary Lawrence Summers said yesterday he will press China to boost its economy by raising domestic demand rather than exports when he travels to the world's most populous nation this weekend, says Reuters.

Amid mounting concern in Washington over a rising US trade deficit with China, Summers said he was eager to improve what he described as a "solid working relationship" between the two nations.

"Clearly it is a concern to us that China's growth be led by domestic demand, given trade positions at this moment," Summers told reporters in a briefing on his visit.

Summers' three-day trip to Beijing comes as the two sides are locked in tough negotiations over China's bid to enter the World Trade Organisation.

US officials have said it will be difficult to salvage a market-opening pact before the end of the year, underscoring growing pessimism that a deal can be reached ahead of a key WTO ministerial meeting in Seattle Nov 30 to Dec 3.

But Summers made clear he was not going to Beijing to negotiate any final deal.

"In the context of discussing structural issues in China I'm sure the subject of the WTO is likely to come up," he said. "But I want to be very clear that this is not a negotiating trip, although certainly the WTO issues have to be part of the context of any economic discussion."

Summers said topics such as reforming China's inefficient state industries and its debt-ridden banking sector as well as the development of well-functioning capital markets were at the top of his agenda.

China's economy officially grew 7.4 per cent on an annual basis in the first nine months of the year, but there is no end in sight to the stubborn deflation that has plagued the country for the past two years.

While exports are among the brightest spots in the economy, China's growth still relies hugely on government infrastructure investments rather than consumer and business demand.

"The matter of sustaining growth, on the one hand, and deflation clearly are issues that the Chinese authorities are grappling with," another senior Treasury official told the briefing.