Ministers wrap up talks in Toronto

First steps toward Free Trade of Americas okayed

TORONTO, Nov 5: Two days of talks on creating a Western hemisphere free trade bloc concluded Thursday with approval of new measures to ease cross-border commerce in the Americas and a common stand against agriculture export subsidies, reports AP.

Involving 34 democratic countries that would make up the Free Trade Area of the Americas, the meeting of trade ministers and other officials called for further progress toward a draft Free Trade Area of the Americas agreement in the next 18 months.

"All 34 of us want to pursue our negotiations ... with intensity," Canadian Trade Minister Pierre Pettigrew said at the final news conference.

Stretching from the Arctic to Argentina, the trade region would include 800 million consumers in nations with a combined gross domestic product exceeding $10 trillion, making it the largest trade bloc on earth.

While a final agreement is at least five years away, delegates took what US deputy trade representative Richard Fisher called "signal steps" by approving the customs measures and banding together to oppose agriculture export subsidies at the upcoming Millennium Round of the World Trade Organization.

The subsidy issue principally pits the European Union, Japan, South Korea and other supporters against the 16-nation Cairns Group, which includes Canada and Brazil.

By declaring themselves opposed to subsidies, the 34 American nations signaled the issue could be a major stumbling block at the WTO negotiations.

"We're talking about eliminating all agricultural export subsidies," Fisher declared.

Opponents say heavy subsidies given to farmers, especially by the EU, create artificially low prices and prevent other nations' producers from competing equally in the world market.

The EU and its supporters say talks involving agriculture matters should encompass non-trade issues like environmental protection, food safety, animal welfare and protecting rural communities.

A Free Trade Area of the Americas would expand the North American Free Trade Agreement that joins the United States, Canada and Mexico.

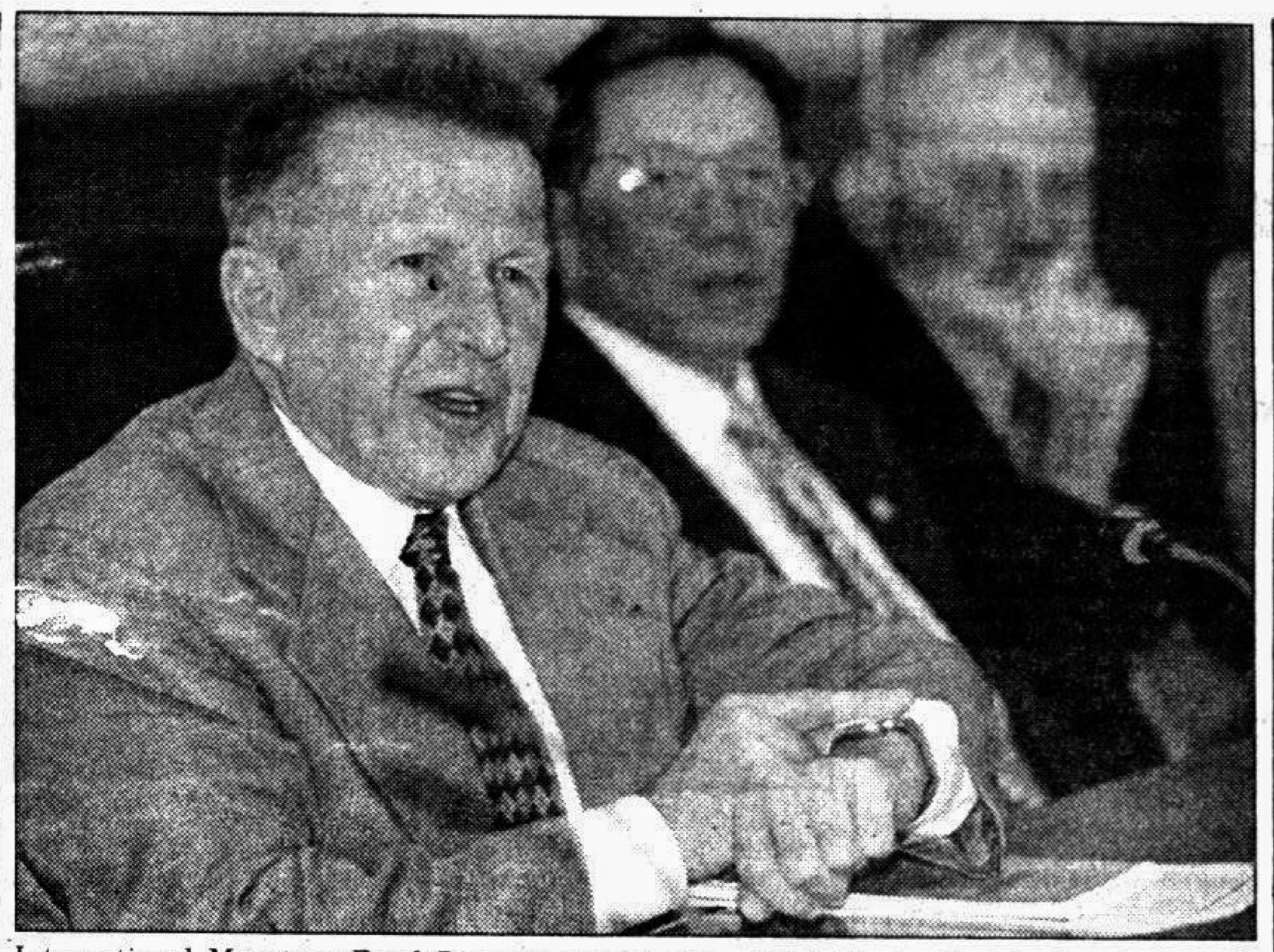
While NAFTA has increased the commercial flow between the three countries, free trade opponents warn a huge hemispheric pact will allow powerful US conglomerates to dominate markets in poorer Latin American countries while eliminating tariffs and other protections for the smaller economies.

Pettigrew said the region's smaller economies were given assurances that their concerns would be treated "appropriately and with sensitivity." Asked if those assurances included transition times for countries to phase out tariffs, he said specifics had yet to be discussed.

Smaller economies need help because they lack the resources to compete with regional powers, said Billie Miller, the transport minister and deputy prime minister of Barbados.

The so-called "business facilitation" measures approved Thursday would speed up customs procedures while seeking to halt border corruption. They take effect Jan. 1, but the wording indicated full compliance was not expected immediately.

As leader of the talks for the past 18 months, Canada set up a civil society panel to include the viewpoint of organized labour, environmentalists and others concerned about the social ramifications of the proposed free trade agreement.



International Monetary Fund Director Hubert Neiss (L) indicates that he has to go and catch the flight to fly back to Washington during a press conference after a meeting with Indonesian Coordinating Minister for the Economy and Finance Kwik Kian Gie (C) and World Bank Representative in Indonesia Mark Baird in Jakarta. Neiss flew back to IMF Headquarters after a several day-long visit to Indonesia. — AFP photo

SA growth seen not enough to create jobs

CAPE TOWN, Nov 5: South Africa's economy, expected to grow by three per cent next year, would have to show stronger growth to create badly needed jobs, economists said on yesterday, reports Reuters.

"We should not allow ourselves to be conditioned that growth of three per cent will be nearly enough...to create new jobs," James Theledi, an economist at Gensec Asset Management, told parliament's finance portfolio committee.

Theledi was among several economists and analysts who appeared before the committee on Thursday to comment on Finance Minister Trevor Manuel's medium-term budget policy statement released last Friday.

"We should at least try to get as close to four per cent if we're going to create further employment, in our economy", said Nick Barnardt, chief economist at AMB-DLJ Securities.

About a third of South Africa's economically active population lacks formal employment one of the major challenges facing President Thabo Mbeki's four-month-old administration.

Since 1994 some 500,000 jobs have been lost in South Africa as the country grapples with low economic growth and post-apartheid competition from abroad.

Manuel has forecast GDP growth of 3.5 per cent next year, up from 0.9 per cent expected this year.

Duma votes in favour of 2000 budget

MOSCOW, Nov 5: Russia's lower house of parliament gave the 2000 draft budget preliminary approval on second reading today, reports Reuter.

Deputies in the State Duma voted 284 to 10 in favour of the bill, which probably will also be given a final second reading later today.

Russia hopes to achieve '99 revenue target

MOSCOW, Nov 5: Russian Tax Minister Alexander Pochinok said yesterday that the revenue target for 1999 would be met by the end of November and aimed to return tax collection to the level it was at before economic crisis hit last year, reports Reuters.

"We have collected around 251 billion roubles ($10 billion) in cash in the first 10 months," Tax Minister Alexander Pochinok told Reuters in an interview.

"Sometime between November 19 and 22 we shall meet this year's target, including additional requirements, in cash."

The government raised its 1999 tax collection target to 266.6 billion roubles from a previous 235.7 billion roubles after repeated request for the International Monetary Fund to increase budget revenue and improve tax administration. Pochinok said his ministry had taken 35.9 billion roubles in October, exceeding its 30 billion revised target.

"Our aim is to reach the pre-crisis level of tax collection in dollar terms," he said, referring to the economic crisis of August 1998 when Russia devalued and defaulted on its debts.

Before the crisis, the ministry collected $2.09 billion, which plunged to $450 million in September 1998, Pochinok said.

He also expected that tax collection relative to gross domestic product would keep carrying on rising in the months ahead.

He said October 1999's tax take doubled to eight per cent of GDP compared with October 1998 whereas the government had expected the ratio to be only between 5.5 and six per cent.

"Tax revenues next year will slightly exceed 14 per cent of GDP," he said.

Pochinok said the government was still working on extracting the full amount of tax due from the country's biggest tax payers such as gas giant Gazprom GAZP.MO

Weevil threatens ME date palms

BEIRUT, Nov 5: One of the Arab world's most famous features, its date palms, could be wiped out by a voracious weevil, warned the latest issue of the Arab weekly Al-Wasat, describing it as "the most serious agricultural pest of the third millennium," reports AFP.

The pest is spreading at a phenomenal rate, the London-based magazine said. It already affects four per cent of the palms in the Arabian peninsula, and has now reached Egypt via plantations in Israel's southern Negev desert.

The weevil, whose Latin name is rhynchophorus ferruginus, gets into the tree through cuts in the bark — which can be man-made or left by burrowing insects and settles down to unremitting egg-laying, while at the same time feeding off the living wood.

The eggs take just five days to hatch, the insect reaches the adult stage in 15 days, and 90 days are enough to turn the tree into a shell, which dies where it stands and then topples over, Al-Wasat said.

Experts believe the weevils were introduced from India and Pakistan, where they are valued as food for their high protein content.

The Arab Gulf states turned to the subcontinent for supplies of trees when Iraq, the region's main date producer, was unable to satisfy the demand after the oil boom of the 1970s.

Before that time, date palms were a rarity, with barely three million trees in the entire peninsula.

New round of global trade talks

US trade 'hypocrisy' may undermine its leadership

WASHINGTON, Nov 5: The US administration that has led the charge for market-opening around the world finds itself accused of protectionism, casting doubt on its ability to lead a new round of global trade talks, reports Reuters.

Over objections from US trading partners, the Clinton administration has used its anti-dumping laws and other retaliatory measures to rein in steel, lamb and other imports, and has approved huge bailouts for American farmers.

"There is a whiff of hypocrisy about the United States' position," says Daniel Griswold, a trade policy expert at the Washington-based Cato Institute.

Critics say US anti-dumping actions and $14.6 billion in emergency spending on US farmers were at odds with President Bill Clinton's stated free-market principles ahead of global trade talks, due to start at a World Trade Organisation (WTO) meeting in Seattle Nov 30-Dec 3.

The Clinton administration has brushed aside the charges, denying it has succumbed to protectionist pressures and insisting the US economy remains the most open in the world.

"The United States has maintained throughout this administration an open markets policy," US Trade Representative Charlene Barshefsky said. "We have done as much, if not more than any other nation I can think of to keep our market open, to assist countries that have been in financial crisis to export to the United States, and to assume our leadership in the global economy."

US officials point to a record trade deficit as proof the US market remains accessible to foreign-made goods.

They say the Clinton administration deserves credit for fending off congressional calls for quotas and other extreme anti-trade measures, and that it was hypocritical of Japan and other nations to assail US policies given their own record of dumping goods in the US market at below fair-market value.

"We are a champion of free trade," Clinton recently said.

Myanmar-ROK trade surges sharply

YANGON, Nov 5: Bilateral trade between Myanmar and South Korea amounted to 103.29 million US dollars in the first half of this year, up 27.15 per cent compared with the same period of last year, reports Xinhua.

Of the total, Myanmar's imports from South Korea stood at 37.39 million dollars, increasing by 24.98 per cent over the corresponding period of last year, according to the latest data released by the country's Central Statistical Organization.

During the half-year period, Myanmar's exports to South Korea was 5.9 million dollars, rising by 78.24 per cent compared with the same period of last year.

The statistics also show that in 1998, the two countries' bilateral trade reached 170.68 million dollars, of which Myanmar's imports from South Korea stood at 151.23 million dollars, while its exports to South Korea were 19.45 million dollars.

In the past five years, South Korea invested 38.935 million dollars in Myanmar in 12 projects.

No time frame for return to democracy

Economy top priority of new Pak ruler

LONDON, Nov 5: Pakistan's military leader General Pervez Musharraf said today in could not give a time frame for a return to democracy until his objective of reviving the economy had been achieved, reports Reuters.

Musharraf said in an interview with Britain's Times newspaper that a deadline would only generate political instability.

"I cannot give a time frame for a return of democratic rule until the main objective of reviving the economy is achieved," he said.

"Whenever you give a time frame a countdown starts and administration comes to a standstill."

Musharraf said the military did not have any choice in staging its bloodless coup on October 12 and ousting Prime Minister Nawaz Sharif's government.

The coup was triggered when Sharif dismissed Musharraf as head of the army when the general was returning from an official visit to Sri Lanka.

"It was not a coup but a counter coup against the government's illegal action of sacking the army chief," Musharraf said.

"The army did not have any option but to step in to save the country from civil war."

Musharraf accused Pakistani politicians of having made politics "a game for rich people who misguided illiterate and poor people."

"It was a sham democracy where people did not have any say. I want to establish a real democracy where the people are masters of their own destiny," he said.

Filipino inflation at 2-year low

MANILA, Nov 5: Annual inflation in the Philippines was at a two-year low in October despite forecasts of an uptick, and economists said today the number will allow authorities to continue easing interest rates, reports Reuters.

A reversal of the country's interest rate policy was also not likely even with an expected 25 basis point rise in the US Federal Reserve's key rates this month, they said.

Lower food prices would continue offset inflationary pressures from increases in oil prices and transport fares.

"The non-food inflationary pressures were offset by the lower food inflation numbers. It's really a result of the government's cuts in rice and sugar prices," said Joey Cuyegkeng, an economist at ING Baring Securities Philippines Inc.

The National Statistics Office reported that consumer prices in the year to October rose 5.4 per cent, lower than the 5.7 per cent annual increase recorded in September.

Economists and government officials had forecast the number would come in at around six per cent.

The Philippines could easily stay below its average inflation target for the year of seven to eight per cent and its December target of six per cent, with stable food prices, economists said.

"They have been talking of six per cent by December on December and it looks like we should easily come in below that, or even below five per cent," said David Cohen, economist for Standard and Poor's/MMS in Singapore.

"For the full year ... it looks like we can easily achieve an average of more like 6.8 per cent," he said.

ECB, BOE raise interest rates to combat inflation

FRANKFURT, Nov 5: The European Central Bank and Bank of England yesterday raised interest rates to combat rising inflation across Europe and create a solid basis for steady long-term economic growth, reports Reuters.

Europe's central bank, announcing its first rate rise since it took policy control in January, raised its three leading interest rates by 0.5 percentage points each.

Its main money market rate, the refinancing rate, went to three per cent from 2.50 per cent. The move was in line with financial market expectations and followed an extensive campaign by the central bank to prepare markets of the move.

The rate rise came hot on the heels of an announcement from the Bank of England that it was raising its main short-term interest rate by a quarter percentage point to 5.50 per cent.

With financial markets already speculating that the US Federal Reserve could tighten its policy on November 16, Thursday's moves mean Japan is now the only top world economy without a tightening bias.

While the Bank of England left it to economists to conclude that its rate decision was a further step to counter rising inflationary pressures from surging house prices, the ECB went out of its way to justify the tightening move.

Inflation in both regions is still below danger levels. Underlying annual inflation of 2.1 per cent in Britain is below a 2.5 per cent target and latest euro-zone inflation at an annual 1.21 per cent is below the ECB's two percent ceiling.

Yet ECB President Wim Duisenberg told a new conference that concern that inflation risks were growing, a steady rise in M3 money supply growth and signs that the European economy was now growing steadily and prompted the decision.

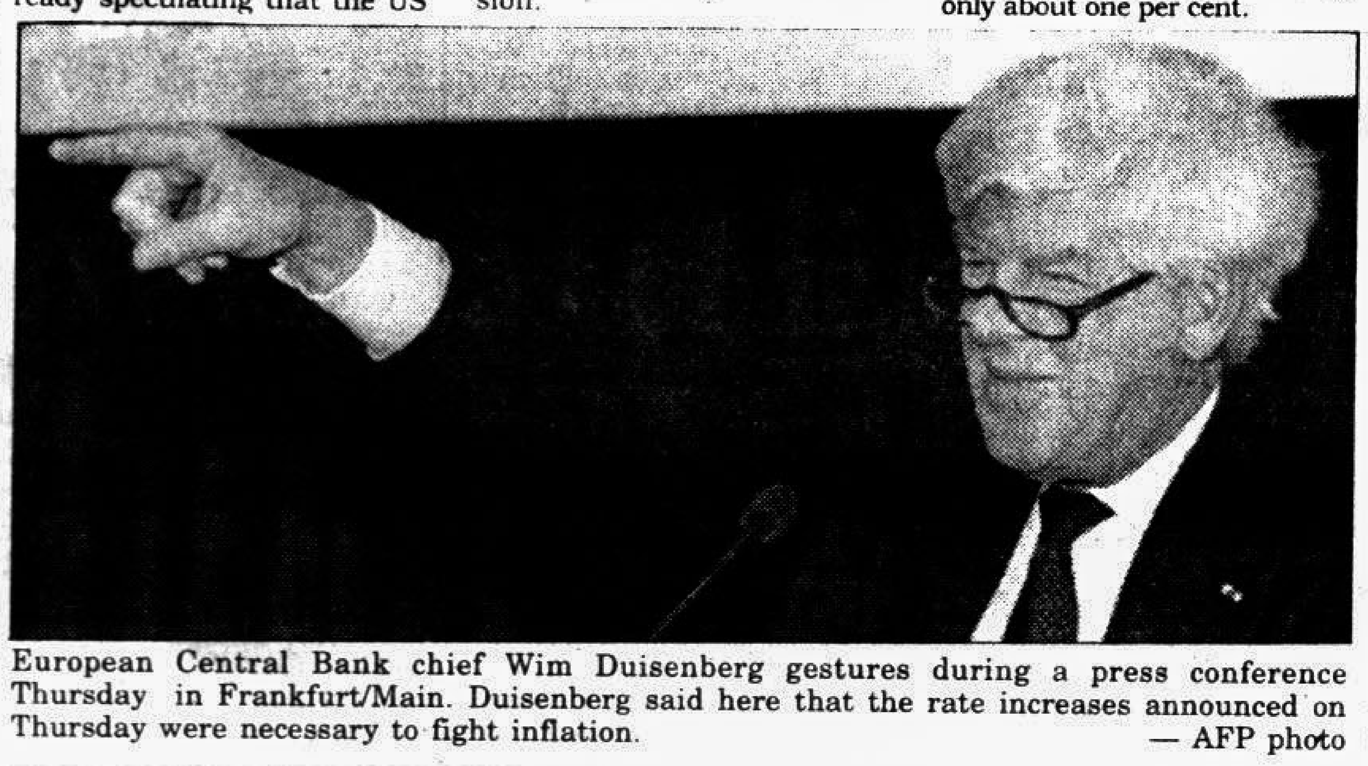
"The governing council concluded that today's decision will counteract the upward trend in the balance of risks to price stability and contribute to sustained non-inflationary growth in the euro area over the medium term," Duisenberg said.

Central bank officials have been steadily paving the way for the ECB interest rate rise over the last month, since Duisenberg himself made clear at a news conference on October 7 that the ECB was leaning towards a rate hike soon.

"We deliberately changed the tone of our assessment (of the monetary environment) on July 15," Duisenberg said. "We have continued to stick to those indications."

With financial markets already so well prepared for the increase, the reaction to the actual decision was muted.

Share markets across the euro zone built on moderate gains, but most indices were up only about one per cent.



European Central Bank chief Wim Duisenberg gestures during a press conference Thursday in Frankfurt/Main. Duisenberg said here that the rate increases announced on Thursday were necessary to fight inflation. — AFP photo

Chinese sentenced to death for embezzlement

BEIJING, Nov 5: The former head of the investment arm of China's Hubei province has been sentenced to death for misappropriating 188 million Hong Kong dollars (24.2 million dollars) in public funds, state media said today, reports AFP.

Jin Jianpei, former director of the now-bankrupt, Hong Kong based Yi Fung Industrial Company Ltd, was sentenced on Thursday by the Wuhan Intermediate Court in the central Chinese province, the officials China News Service said.

Prosecutors said Jin misappropriated 188 million Hong Kong dollar during 1997 and 1998 for gambling in Macau and speculation on the future's market in Hong Kong.

He lost almost all of the money.

Before authorities uncovered the corruption, he paid back 44.8 million Hong Kong dollars, but 143 million remained unpaid, according to the People's Daily newspaper.

Jin, 55, became a director of Yi Fung in 1999. He was also a former director of Hubei province's representative office in Hong Kong.

In the past few months, mainland and Hong Kong officials have been investigating officials of Hong Kong-based mainland companies for alleged economic irregularities.

Officials corruption and abuse of power remain widespread in China despite a long series of anti-graft campaigns by the Communists Party.

President Jiang Zemin and other top leaders have called the problem a matter of "life and death" for the party, but foreign pressure groups say the poor transparency and lack of accountability inherent in one-party rule are mainly responsible.

Weekly Currency Roundup

October 31-November 4, 1999

Local Market

At the beginning of last week, the local foreign exchange market spent two quiet days due to holiday in the international market and the strike called by the opposition. Even though there was a upward trend in dollar demand during the last part of the week, the demand in general was steady. The market remained long in dollars because of inward remittances sent by overseas Bangladeshis and donor agencies. As a result, last week in the interbank market dollar traded in a range of BDT 49.4900 to BDT 49.5100. Cash US dollar traded in the higher range of BDT 51.600 and BDT 52.00 during the week.

The demand for call money was steady and the call rate fluctuated between 5.75 to 7.00 per cent. The call money rate did not escalate much because payment against accepted treasury bills was less than maturity.

Last week Bangladesh Bank accepted Treasury Bills worth of BDT 7200 million. Of this, BDT 6280 million for 28 days at an average rate of 6.79 per cent, BDT 70 million for 91 days at 6.90 per cent, BDT 330 million for 182 days at 7.78 per cent, BDT 460 million for 364 days at 8.15 per cent and BDT 60 million at an average of 8.51 per cent for 2 years were accepted.

International Market

In the international markets, euro rose broadly early in Europe supported by heightened expectation that the European central bank would raise interest rates at its Governing Council meeting. Euro/yen jumped nearly one yen to the mid-110 yen level on short covering as euro/USD began rising. Dollar/yen also bounced from lows earlier amid wariness of the Bank of Japan intervention. On Tuesday, euro was bolstered after economic reports from the Eurozone reinforced expectations that improving economic conditions in the region would prompt ECB to raise rates this week. The euro posted broad gains as Italy's purchasing managers index rose, showing that the manufacturing sector expanded its fastest since the survey's launch in June 1997. Increases in the French and Italian producer prices and an increase in the French October PMI also helped Euro, but market analysts commented that dollar may be contained as the greenback was also benefiting from expectations of interest rates hike on the back of strong economic growth.

In the later part of the week, dollar was down against yen, trading at the lower end of its recent ranges in quiet Asian trading. Low volume persisted in Japan because of culture day and traders in Europe also experienced a quiet day in Europe. The yen inched overnight on a report by the Jiji news that Japan is likely to expand its forthcoming fiscal stimulus package to around 15 trillion yen from the initial plans of slightly above 10 trillion yen.

Elsewhere, sterling perked up to $1.6475 level and was underpinned by speculation that the Bank of England would decide to tighten policy at Thursday's meeting of Monetary Policy Committee. In the international markets, euro edged above $1.05 ahead of ECB's fortnightly meeting, but analysts said the risks for Europe's single currency were to the downside.

Overnight reports that Japan's promised stimulus package may top 15 trillion were seen factored by the market after dampening dollar temporarily. Erstwhile, the marketplayers commented that the US Federal Reserve appeared unlikely to raise interest rates before the year-end amid signs the pace of growth in the US economy had created. On late Thursday, the European Central Bank raised short-term rates by 50 basis points. Bank of England also raised its rates by 25 basis points.

— *Standard Chartered Bank*

Oil consolidates its run of recent gains

LONDON, Nov 5: Oil prices made further upward headway yesterday, consolidating a run of recent gains, reports Reuters.

International benchmark Brent in London for December delivery closed up another 31 cents at $22.88 a barrel, taking gains over the last week to nearly a dollar a half.

Prices are fighting back after an October slump from three year highs at $24.30 as speculative funds took profits from an eight month bull run.

Deep supply cuts from leading producers have driven a rally from historic lows below $10 early this year and helped turn around financial results from the giant global oil companies.

Royal Dutch/Shell on Thursday reported that third-quarter earnings had more than doubled from last year, reflecting the rally in oil prices as well as its own corporate overhaul.

Shell's third-quarter exploration and production earnings were over four times higher than last year and the company's shares have gained by as much as 35 per cent in the past year.

Recent fears that OPEC might be starting to slacken impressive compliance with the output cuts were allayed by a new report showing compliance still as high as 85 per cent in October.

Preliminary indications from shipping and industry data showed adherence with the pledged 4.3 million bpd of cuts had slipped only slightly from a revised 90 per cent in September, said Geneva consultants Petrologistics.

Traders are keeping an especially close eye on stock levels to see if deep supply cuts from leading producers are banishing a surplus of stored oil behind last year's price slump. Oil stockpiles have taken longer to clear than many analysts anticipated, and export cartel OPEC has already pledged not to increase output at least until March 2000 as it wants to absolutely sure the surplus has gone.

U2 front man urges US debt relief for poor states

WASHINGTON, Nov 5: Rock star Bono joined politicians and church leaders yesterday in a call for the US Congress to approve $1 billion to wipe out the debts that some of the world's poorest countries owe the United States, reports Reuters.

"This is the time for America to show some heart," Bono, lead singer of the rock bank U2, told a news conference urging Republican leaders to find room for debt relief as it battles with the Clinton administration over the budget.

Bono was joined by Representative Spencer Bachus, an Alabama Republican, Representative John LaFalce, a New York Democrat, Bishop Michael Glynn, the Catholic auxiliary bishop of the archdiocese for military services, and Rev. Francis Campbell Gray, the assistant episcopal bishop of Virginia.

"When I joined a (rock) group, I imagined drum, bass and guitar rather than two bishops, a Republican and a Democrat," the Irish rocker said.

The debt burden of the world's poorest countries was "economic slavery and debt bondage," he said. "It is immoral to have a farmer in Chad service debts to the richest countries in the world rather than feed his starving children."

Since the US Treasury values the debts of poor countries as worth about 10 cents on the dollar, the $1 billion funding would allow billions more in debts to be cancelled.

Late Wednesday, the House Banking Committee authorised legislation on the issue that went beyond president Clinton's request. It would wipe out almost $7 billion in debts owed to the United States by poor nations.

But the legislation faces an uphill battle. The bill will likely be wrapped into the $12.7 billion foreign operations bill, which President Clinton has already vetoed because it came up $2 billion short of his original request.

US budget wrangle focuses on foreign aid funding

WASHINGTON, Nov 5: The Republican-controlled Congress tried to break an impasse on foreign aid funding yesterday as White House and congressional negotiators struggled to complete the final phase of tortuous wrangling over the federal budget, reports Reuters.

As the talks dragged on, there were signs of a compromise on some foreign funding issues, with congressional Republicans indicating a fluid position and negotiating with White House budget officials by telephone.

After initially refusing to allocate any funds for the Wye River peace accord between Israel and the Palestinians, Republicans have already agreed to come up with $1.8 billion.

Trent Lott, the Senate Republican leader, said he was hopeful a deal would be struck before the end of the day.

"There're working on it as we speak, and we're hoping that some negotiated compromise can be agreed to today. We've still got a lot of work to do," Lott told reporters.

If a compromise is reached, a revised version of the foreign operations bill could be sent to the House floor for a vote late on Thursday.

Earlier in the day, senior administration officials expressed dismay that despite some concessions, funds for several international programme they regarded as important had been eliminated.

Secretary of State Madeleine Albright said the House was poised to consider "another totally unacceptable foreign operations appropriations bill" and accused Republicans of undermining the nation's foreign policy priorities.

"This is a cynical political ploy aimed at dividing those who believe in a strong foreign policy. We cannot ignore our other responsibilities around the globe. We will insist on adequate funding for our leadership, and we will not stop fighting until we prevail.