

## Indian stocks take lead from RBI credit policy this week

BOMBAY, Oct 7: Indian stocks will take their lead next week from the central Reserve Bank of India's (RBI) credit policy and six monthly company results, brokers said Friday, reports AFP.

On the Bombay Stock Exchange (BSE) the benchmark 30-share BSE sensitive index closed Friday at 4,092.42 points, up just 2.04 points from the previous week's finish.

The RBI is scheduled to announce its monetary and credit policy for the six months to March 2001 on Tuesday.

RBI governor Bimal Jalan said Thursday that the policy would not contain any surprises.

No change in the bank rate or the cash reserve ratio is being considered at this juncture, Jalan told reporters.

The bank rate is the rate at which the RBI lends to commercial banks while the cash reserve ratio is the amount of cash banks must have in reserve with RBI.

Broker Nimesh Shah said the market was expecting a "neutral" credit policy.

Investors and other market participants will be keenly awaiting the interim company results that begin next week.

Computer software company Infosys Technologies will announce its results for the six months to September on Tuesday.

The market has already factored in good results from Infosys. So, if the net profits are up between 85 and 100 per cent year-on-year the stock price will not go up much.

In fact, it could come down as speculators unwind positions already built up," said broker Ajit Ambani.

Brokers said the market was still overbought because speculators have built up positions in anticipation of good financial results from computer software companies.

Over the week, Associated Cement Cos fell 1.10 to 91.15 rupees, while Glaxo India gained 3.10 to 451.

Reliance Industries was down 2.40 rupees at 340.20 and State Bank of India lost 6.95 to 170.10.

Tata Engineering was down 1.20 at 79.80 rupees and Infosys Technologies gained 46.05 to 7,389.65.

## US accuses Brazil of holding up trade talks

WASHINGTON, Oct 7: US Trade Representative Charlene Barshefsky lashed out at Brazil yesterday, saying it threatened efforts to forge a 34-nation Free Trade Area of the Americas (FTAA), says Reuters.

Barshefsky told Reuters in an interview that Brazil has "quite intentionally dragged its feet" in the negotiations, which aim to strike an agreement bringing down trade barriers from Alaska to Argentina.

Despite Brazil's go-slow approach, Barshefsky said she was hopeful negotiations would be completed by the 2005 deadline, if not sooner.

The United States and other countries were even "looking at the question of whether that deadline could be moved up to 2003," she said.

The FTAA was first proposed by the United States in 1994 and negotiations began in 1998.

Building on the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico, all the countries of the hemisphere would be included in the FTAA except for Cuba.

But the plan has run into trouble as South America, represented by the Mercosur trade bloc of Brazil, Argentina, Uruguay and Paraguay, tries first to consolidate its clout against the might of Washington.

## Foreign workers swell US workforce

WASHINGTON, Oct 7: Immigrants now represent 12 per cent of the US workforce, the highest percentage in 70 years, the New York Times reported Monday, citing government statistics, says AFP.

There were 15.7 million foreign-born workers in the United States last year, a 17-per cent jump from three years earlier, the daily said, citing new figures from the Bureau of Labour Statistics.

About five million of those workers immigrated illegally, according to the daily.

The influx of foreign workers is having "profound effects" on the US economy, it said.

On the one hand, it is providing an ample supply of workers for growing companies, but on the other, it is keeping wages low at the bottom of the wage scale.

Immigrants are especially prevalent in low-paying manual jobs such as meat packers, maids, demolition workers and fruit pickers.

But foreign workers are also in high demand in Silicon Valley, leading the administration of President Bill Clinton to favour increasing the number of high technology visas, according to the Times.

About 800,000 immigrants enter the United States legally each year under existing quotas, and another 300,000 enter illegally, the daily said.

# China's WTO entry unlikely this year

WASHINGTON, Oct 7: China may be forced to wait until next year to join the World Trade Organisation (WTO), US Trade Representative Charlene Barshefsky said yesterday, due to slow progress in talks in Geneva, says Reuters.

Barshefsky said she planned to deliver that message in person to Chinese Premier Zhu Rongji and other leaders later this month or early in November, hoping to break a stalemate that threatens to delay Beijing's accession to the trade body.

Diplomats have warned in recent weeks that China's 11-year-old bid to join the WTO was in serious jeopardy, after talks in Geneva stalled over Beijing's commitment to implement WTO rules on intellectual property and carry out other promised market reforms.

"It is still possible to finish this up by year-end," Barshefsky told Reuters in an interview. Previously, she had predicted with near certainty that China would become a member before the end of 2000.

Now, Barshefsky conceded, obstacles have emerged. "For us to wrap up the negotiations this

year, China will have to make every rapid progress in the talks," she said. "If the negotiations conclude this year, great. If they conclude next year, great. It is largely up to China."

The warning comes just days before President Bill Clinton is expected to sign into law legislation granting permanent normal trade relations (PNTR) to China.

Overwhelmingly approved by the US Senate in September and the House of Representatives in May, the trade bill will end the 20-year-old annual ritual of reviewing China's trade status and guarantee Chinese goods the same low-tariff access to the US market as products from nearly every other nation.

In exchange for the benefits, China agreed to open a wide range of markets from agriculture to telecommunications under terms of a landmark agreement, which the White House hoped would usher Beijing into the WTO this year.

Clinton has made Beijing's accession one of his last foreign policy objectives, arguing that opening the vast Chinese marketplace will benefit both the

US economy and US national security as Beijing joins the global trading system and opens to the West.

Barshefsky said Zhu could put the negotiations back on track by recommitting to promised reforms.

Diplomats say the sticking points include how China will implement WTO rules on intellectual property, how it will assign safeguard quotas for a vast array of goods imported under special tariffs, and what it will do about import duties for product volumes.

If Beijing fails to make "rapid progress" in upcoming WTO talks, Barshefsky said, China's accession could fall to Clinton's successor - Democratic presidential nominee Al Gore or his Republican challenger George W Bush.

"I think for any administration, there are two important tests of success. One is what you accomplished as an administration. And the other is what have you set in train for the next administration to finish if it needs finishing," Barshefsky said.

## Beijing's WTO access to help stabilise world trade

### ROK, Thai, Japan trade ministers say

CHIANG MAI, Thailand, Oct 7: China's accession to the World Trade Organisation would help build a much more stable world trading environment, and without China's participation the WTO can't be called an international trading institution, trade ministers of South Korea, Thailand and Japan said here Saturday, reports Xinhua.

All the three ministers reiterated their position in supporting China's accession to the WTO at a joint press conference after the second meeting of the ASEAN economic ministers and the ministers of China, Japan and South Korea.

South Korean Trade Minister Han Duck-soo said it was South Korea's consistent position to support China's entry into the WTO.

"The accession would be a very good occasion for China to rationalise its economic system and also to achieve higher growth," he said, adding that China's accession to the WTO would give a much more stable trading environment to the Asian nations as well as to the world.

China's accession to the WTO would create "a more competition-boosting effect" to the region, which would also enhance growth potential of South Korea, he said.

"We are welcoming China's access to the WTO not only in terms of our good-neighbourly relationship but also from the perspective of growth and prosperity in this region as well as in the global economy."

However, he admitted after China entered the world trading body, there will be some competition for South Korea in some areas.

Thailand's Deputy Prime Minister and Commerce Minister Supachai Panitchpakdi said since China is one of the world's largest trading countries, the WTO itself could not be called a global trading institution without the participation of China.

All the countries attending this meeting are in favour of

having China join the WTO as soon as possible, said Supachai, also director-general-in-waiting of the trading body.

Since Thailand has a growing trade relationship with China, China's entry into the WTO would signify the exchange of goods and investment between the two countries, which would be even higher, said Supachai.

"The opening-up of China's agricultural market would be very significant for our farm-

ers, he said.

He also admitted that China's participation in the WTO will make China more competitive in some labour intensive industry and electronic and electrician products.

Japanese International Trade and Industry Minister Takeo Hiranuma reiterated Japan support for China's WTO accession, saying that China's joining would be good for the early launch of the new round trade negotiation of the WTO.



Japanese Minister of International Trade Takeo Hiranuma (L) speaks as South Korea Minister of Trade Duck-soo Han (R) listens during a press conference following the meeting of the ASEAN economic ministers plus those from Japan, South Korea and China in Chiang Mai yesterday. Southeast Asian Economic Ministers Meeting (AEM) between October 2-7.

— AFP photo

## US unemployment rate drops back to 30-year low

WASHINGTON, Oct 7: The US unemployment rate sank back to its 30-year low of 3.9 per cent in September, hammering home the strength of the labour market and raising new doubts about the extent of an economic slowdown, says Reuters.

The Labour Department said yesterday the September jobless rate was the lowest since April, which in turn was the lowest since 1970. August's jobless rate was 4.1 per cent.

While the report was good news for workers and signalled the nearly 10-year-old US expansion was in no danger of moving off course, it remained Wall Street that the Federal Reserve could resume its interest-rate rises if inflation looks set to pick up. Bond prices dipped but stock prices were mixed.

The number of workers on payrolls outside the farm sector rose by 252,000, a moderate rebound from a revised drop of 91,000 jobs in August. The department previously said August payrolls fell by 105,000.

The economy has slowed down but this report is suggesting that it is not continuing to slow," said Paul Kasriel, economist at Northern Trust Co in Chicago.

"There still appears to be a shortage of labour," he said. "The labour markets continue to be tight. Manufacturing is weak, but the service sector is strong. The Federal Reserve is certainly not going to be considering cutting interest rates."

The September payroll figures were in line with the forecasts of US economists in a Reuters survey who had, on average, expected a September jobs gain of 232,000.

But the lower unemployment rate signalled an unforeseen tightening in the labour market, as economists had been braced for a jobless rate of 4.1 per cent.

As the unemployment rate drifted slightly higher in recent months, economists had thought the red-hot labour market might finally be cooling in response to the six interest-rate rises from the Federal Reserve between mid-1999 and May this year.

Fed officials, in an interest rate-setting meeting on Tuesday, cited the scarcity of workers as a possible risk for inflation but decided to keep interest rates unchanged.

The payroll data appeared to back up the scenario of a slowing economy, as the trend for private payrolls had shown

less robust hiring. "What's impressing the market is the change of the unemployment rate to 3.9 per cent," Kevin Logan, economist at Dresdner Kleinwort Benson North America in New York.

Logan said the data would probably change the view, held by some in the financial markets, that the Fed's next move could be a cut in interest rates.

But the payroll series has been tough to interpret. In the past few months, the government has been gradually shedding workers brought on for the US Census - a once-a-decade count of the population - and there has also been a big strike at Verizon Communications VZ, N, the East Coast telecoms giant.

Those special factors skewed the September numbers as well. The return of around 85,000 Verizon workers helped boost the payroll figure, but that was partly offset by a new but smaller strike at a manufacturing company.

Also offsetting the gain was the loss of 27,000 temporary government workers who had been hired for the Census.

The Labour Department said that stripping out the effects of the strikes and the census layoffs, payrolls would have risen by 204,000 in September.



A mirror mounted at the main entrance of the World Bank building in Islamabad gives view of talks between the Bank officials (R) and the protestors on Friday. Protestors belonging to this country's sportsman turned politician Imran Khan's party held a protest rally against the IMF and World Bank policies for the Third World countries.

— AFP photo

## ECB rate hike seen no gamble with growth

FRANKFURT, Oct 7: The European Central Bank's latest rate hike does not gamble with growth despite a harsh market verdict to the contrary, analysts said yesterday, reports Reuters.

The ECB on Thursday surprised analysts with lifting rates by a quarter point to 4.75 per cent.

Markets gave the move the thumbs down for focusing on the impact of oil on headline consumer prices over the deflationary damage done to domestic demand, and for ignoring evidence that this was already curbing business and consumer confidence.

But analysts cautioned that the weakness of the common currency was easing the impact of the rate move by making European exports more competitive and the bank was correct to confront price pressures before they fed into the wages cycle.

ECB president Wim Duisenberg on Thursday made no mention of a recent deterioration in sentiment surveys and gave an assurance that regional expansion had reached a "cruising altitude" that would be unharmed by the rate move.

He acknowledged that a tripling in oil prices since early 1998 drained household spending, but said the underlying force of European growth remained sufficiently strong to cope and that taming inflationary expectations had to be its prime objective.

Oil has pushed the 11-nation euro zone's consumer price index to 2.3 per cent in August, well above the ECB's two per cent tolerance threshold and CPI is seen rising further in September with potential fallout for the 2001 wage bargaining round.

Duisenberg specifically named external demand as one of the engines driving growth - a point driven home by data on Friday.

His words failed to calm markets, which were upset by a September decline in French consumer confidence, recent falls in Germany's influential

IFO business climate survey and a cut on Thursday in an official French forecast for 2000 growth.

But analysts argued that these reflected concerns over fuel protests last month which grounded traffic across the region and said that strong German August new industrial orders provided a reminder that the regional outlook remained bright.

"There is a tendency to get preoccupied by the deflationary impact of oil and this is responsible for the emphasis placed on the slippage in the sentiment surveys," said economist Malcholin Barr at Chase Manhattan.

The impact of the weak euro on net exports tends to be overlooked which is why we feel that the ECB's analysis is reasonable," he said.

## Metal: Weekly Roundup

### Gold down on negative sentiment, others follow

LONDON, Oct 7: The price of gold fell this week amid renewed instability linked to the new slide in the euro, says AFP.

Prices had risen last week after the euro rebounded, which had increased economic stability and thus prospects for stronger global growth and higher gold prices, analysts at the GNI brokerage had said.

But these gains were eroded by a new weakening of the single European currency.

Negative sentiment is also being compounded by signs of weakness in the European and US economies," GNI said.

By Friday, an ounce of gold was selling at 270.80 dollars on the London Bullion Market, against 274.10 dollars the previous week.

Silver: Slipper. Silver prices dropped on the London Bullion Market this week to 4.88 dollars an ounce from 4.93 dollars last week.

The steady supply of silver from the East and lack of liquidity from speculative sources continues to put downward pressure on silver, the Canaccord brokerage said on Friday.

Platinum and Palladium: Rising. The sister metals climbed this week.

Palladium prices jumped to 734 dollars an ounce on the London Platinum and Palladium Market (LPPM), from 711 dollars the previous week. In August, prices reached a historic high point of 855 dollars.

The price of Platinum edged up to 576 dollars an ounce on Thursday from 575 dollars the previous week. In August, prices reached a 12-year high of 612 dollars.

Base Metals: Weaker. Base metals fell this week after concerns mounted that demand would weaken amid a cooling of the US economy.

Three-month nickel prices fell to 7.980 dollars a tonne in London at the close on Thursday, from 8.340 dollars seven days ago.

Three-month copper prices remained below the 2,000-dollar threshold at 1,971 dollars a tonne, compared with 1,984 dollars a week ago.

Aluminium prices slipped to 1,548 dollars a tonne from 1,602 dollars a tonne the previous week.

Zinc prices stood at 1,155 dollars a tonne, down from 1,148 dollars.

Three-month lead prices dipped to 494 dollars from 503 dollars a tonne.

## ROK Sept trade surplus powered by record exports

SEOUL, Oct 7: South Korea said today it posted a preliminary trade surplus of \$2.0 billion in September, up from \$1.46 billion in August, powered by record monthly exports, says Reuters.

Customs-cleared exports stood at \$15.3 billion in September, up 28.1 per cent year on year as long-term contract prices of dynamic random access memory chips held steady around \$8 per piece, the Ministry of Commerce, Industry and Energy said.

"Despite the reduced working days because of the Chusok (Thanksgiving) holidays, September exports was the record largest for a single month," it added in a statement.

It reiterated that the trade surplus for this year was expected to beat the targeted \$10 billion led by robust exports, even after taking into consideration rising oil costs.

Semiconductor shipments in September grew an estimated 42 per cent from the corresponding month in 1999, while computer exports leapt approximately 38 per cent.

Oil and petrochemical products added to the bullish exports in the wake of price rises stemming from higher crude oil prices, amid stable exchange rates over the past month.

The September trade surplus also beat that posted in the same month of a year earlier, which came in at \$1.8 billion.

But the cumulative surplus in the year to September was halved to \$8.4 billion, compared with \$17.0 recorded in the same period a year earlier, largely due to mounting oil import prices, the said.

## Strong oil prices boost Iranian economy

LONDON, Oct 7: Strong oil prices have lifted key crude producer Iran onto solid economic ground and built confidence in potential international investors, a senior Iranian official said, reports Reuters.

"Oil revenues are more than 60 per cent higher during the first quarter of 2000 versus the same period last year," Iranian Central Bank Governor Mohsen Nourbakhsh said at Iran Invest in London. He was referring to the first three months of the Iranian year which began on March 21.

Oil prices hovering at decade highs of around \$30 a barrel have left producers raking in profits while raising the alarm in consuming nations.

The huge influx of petrodollars has allowed Iran - OPEC's second biggest producer - to balance its books during the first quarter and push its trade account surplus to \$2.7 billion, he said. GDP growth this year is projected at about four per cent, Nourbakhsh added.

These encouraging economic prospects could well boost Tehran's standing in international financial circles.

The Central Bank chief insisted Iran was still keen on a \$500 million Eurobond issue, targeted mostly at Europe.

Iran first expressed an interest in tapping international debt markets several months ago, but bankers do not expect the issue to emerge until 2001.

"That is definitely a market we would like to be in," Nourbakhsh said. "That way we would have access to the capital market."

## Malaysia for curb on labour drain to S'pore

KUALA LUMPUR, Oct 7: A Malaysian minister has urged authorities to check a large labour drain to neighbouring Singapore, saying some 200,000 locals travel there daily to work, says AFP.

International Trade and Industry Minister Rafidah Aziz, quoted in newspapers, called on the state government of southern Johor bordering Singapore to set up a task force to reverse the labour drain.

"We need to understand why Malaysians choose to migrate or commute daily to work in Singapore when job opportunities and career prospects are aplenty here," she was quoted as saying by the New Straits Times.

"By working abroad, they not only deny their contributions to their own country but volunteer their skills and services to prosper another country."

The outflow of local workers was forcing Malaysia to bring in workers from abroad, Rafidah said.

Malaysia has some one million legal foreign workers and thousands of others who are not documented.

Rafidah said the Johor government should distribute questionnaires at its immigration checkpoint to local workers travelling daily to Singapore.

From the feedback, the authorities could identify alternative employment locally to lure the workforce back, she said.

"The unemployment rate in the country is about two per cent, not because there are no jobs available but because the locals are too choosy," she added.

## Clinton criticises proposal for food, medicine sales to Cuba

WASHINGTON, Oct 7: President Bill Clinton criticised a congressional proposal for food and medicine sales to Cuba yesterday as "a big mistake" that would do little for American farmers while unwisely limiting travel to the island, says Reuters.

"I think it was a big mistake if it is what I think it is," Clinton told reporters at the White House. "But I want to reserve some room for judgement when we have a chance to review the actual language."

The Republican-drawn plan would be the most significant change in several years for US economic sanctions that first were imposed in 1962 to isolate communist Cuba.

Anti-Castro and pro-trade groups, usually on opposite sides of the debate, claimed victory in the package approved by congressional negotiators as part of the \$75 billion agriculture funding bill.

The House (of Representatives) and Senate were expected to vote on it next week.

To become law, the bill must be passed before Congress adjourns later this month and signed by Clinton. His criticism rattled prospects for a compromise measure when it goes up for a final vote, where under congressional rules it cannot be

amended. "What I have been told is that it looks like it eases the embargo on food and medicine but it probably doesn't very much because it doesn't provide any financing, which we give to other poor countries," the President said.

It also was "unwarranted" and unwise, the president said, for the bill to write into law US regulations that ban tourist travel to Cuba without authorisation.

A spokesman for House Speaker Dennis Hastert said the House probably would vote on the bill on Tuesday. Clinton's criticism notwithstanding, "He didn't use the v-word (veto)," said the Hastert aide. "I think what he wants to do is complain about it, but he'll sign it."

Under the plan, food and medicine would be exempt for unilateral US embargoes. That would be "a great first step," said the American Farm Bureau Federation, one of the groups eager for sales to the island 90 miles (120 km) from Florida.

Iran, Libya, Sudan and North Korea, where sales are allowed on a case by case basis, would also benefit from the change.

But no public or private US financing would be allowed for

food sales to Cuba and US travel regulations would be written into law. They ban Americans from going to Cuba unless they obtain a license or are invited by a non-US group that pays the bill.

"That's one of the best parts of this package," said Peter Hays of the Cuban American National Foundation, a hardline exile group. "The only thing that can come from tourist travel is dollars to prop up this corrupt regime."

Putting travel rules into law will prevent Clinton from changing them after the election, said Florida Republican Representatives Lincoln Diaz-Balart and Ileana Ros-Lehtinen. There had been speculation of such a move by Clinton.

More than 140,000 US citizens, most of them with relatives in Cuba, went to Cuba last year. That included 22,000 who made stopovers in other nations and did not acquire a US license. Travel is up by about 15 per cent this year.

Tourism is a leading source of hard currency for Cuba.

In Havana, members of Cuban President Fidel Castro's government criticised the plan as unworkable and said it was unlikely to result in any trade because of the restrictions.