

Oil soars to 10-year peak on fresh Middle East turmoil

Crude cruises above \$35 for first time since '90

LONDON, Oct 13: Oil prices rocketed to a 10-year peak amid fresh Middle East violence yesterday as a scramble for supply pushed Brent crude above \$35 a barrel for the first time since 1990, reports Reuters.

The North Sea benchmark hit \$35.30 for a gain of \$3.51 after Israeli forces attacked targets near Palestinian President Yasser Arafat's offices in two Palestinian-ruled cities.

Those attacks and a suspected suicide bombing of a US Navy destroyer in Yemen stirred fears of a wider conflict that might hit exports from the region with most of the world's oil reserves.

"The point of departure was the incident in Yemen, and that just crystallised people's fear that the Israeli situation could just expand," said Peter Gignoux, head of the energy desk at Schroder Salomon Smith Barney.

The mounting wave of violence had, said Gignoux, "created a massive wave of short-covering and fresh buying at the same time. Any threat of disruption (to oil supplies) is worrying."

Brent's gains later narrowed at the close to \$34.55, up \$2.76 or eight per cent. US light crudes were \$2.85 stronger at \$36.10.

Prices began climbing when the American Petroleum Institute (API) industry group said on Tuesday there was 51 per cent less heating oil in East Coast storage than in early October 1999.

The East Coast, particularly the Northeast, is highly dependent on the fuel to heat homes and offices.

Prices had steadied earlier on word that Saudi Arabia kept November crude export allocations at full volume, unchanged from last month under its pledge to boost supplies to cool prices.

Since Saudi Arabia has the

vast majority of OPEC's spare production capacity, its output moves are closely watched by traders struggling to track the kingdom's exact supply levels.

The Organisation of the Petroleum Exporting Countries has been removing supply curbs imposed in 1998 and 1999 to rescue prices from a slump under \$10 a barrel.

This year's rally to 10-year highs has forced OPEC to raise production three times since April.

Although it has not impacted on prices yet, the market is also keeping a close eye on a day-old indefinite strike by Venezuelan oil workers.

Meanwhile, another report adds: Short of a new Middle East war, the region's fresh spasm of violence is unlikely to sever the arteries feeding oil to petroleum-dependent economies around the world, analysts say.

A combination of geography and political factors means

Israeli-Palestinian violence will not choke the flows from the heartland of world energy - provided the unrest does not ignite a wider regional conflict.

"I don't think there's a physical threat to exports," said Raad Alkadhiri of the Petroleum Finance Company in Washington.

"But there is a fear that, in a regional war, participants would look at economic targets. There is a latent worry about a repeat of the Arab oil embargo."

Analysts say only extreme provocation by the United States or Israel would lead Arab producers into attempting a repeat of the oil embargo they imposed to punish Western support for the Jewish state in the Arab-Israeli war of 1973.

That prospect apart, the likelihood of Israeli-Palestinian turmoil affecting the region's Mediterranean export outlets appears remote.

been out of office for several months by the time the money reached Moscow, said Bush's remarks were damaging to his reputation.

"It was strange to hear such statements from a politician running for high office. Making responsible statements is a vital trait for a statesman in a democratic society," Chernomyrdin, now a member of parliament, said in a statement.

"It's a shame that Mr. Bush Jr. was brought up in another tradition. I think Mr. Bush Jr. should be getting ready for a court hearing on the issue," he said.

International officials are investigating whether any of the \$4.8 billion of IMF loans for Russia was diverted via Swiss bank accounts. The IMF has repeatedly denied that any of the money it lent to help shore up Russia's ailing ruble in 1998 was misappropriated.

It has also mandated stringent audits for future flows of cash to Russia, aimed at ensuring no repeat of the same allegations in the future.

Dawson characterised the calls for reform as, "quite appropriate," noting that the IMF is actively tackling the issues raised by the candidates.



Congress party activists shout anti-government slogans while sitting next to a dummy cobra snake placed on a symbolic 'seat of power' to mockingly represent the 'poisonous misrule' of the BJP-led coalition government during a demonstration in New Delhi yesterday. The demonstrators protested the 'anti-poor and inflationary' policies of the government which completes one year of its rule at the centre. The government recently raised the price of petroleum products by 18.6 per cent to offset global price hikes. - AFP photo

Sinha confident of 7pc growth for India

NEW DELHI, Oct 13: India's Finance Minister said yesterday he was confident the country's gross domestic product (GDP) would grow by 7.0 per cent in 2000/01 (April-March) despite a slowdown in the economy, Press Trust of India (PTI) said, reports Reuters.

"There is no cause for worry as we are confident of achieving the targeted annual growth rate of seven per cent by the close of the financial year," the news agency quoted Yashwant Sinha as saying.

Sinha said the growth rate had declined to 5.8 per cent in April-June 2000 from 6.5 per cent a year earlier because of a rise in global prices of crude oil and the poor monsoon in the states of Madhya Pradesh, Orissa and Gujarat.

"But I am confident that we will make up for the initial slump with a good monsoon elsewhere and consequent bumper harvest," PTI quoted the minister as saying.

Figures released by the government on Thursday showed India's index of industrial production (IIP) growth slowed to 5.3 per cent year-on-year in April-August 2000 against 6.2 per cent in the year-ago period.

Sinha said he had asked an expert group of trade bodies to examine the causes of the slowdown in industrial growth, and suggest remedies.

Independent economic think-tanks as well as the country's central bank have scaled down their growth estimates for 2000/01.

The Centre for Monitoring Indian Economy (CMIE) on Wednesday cut its estimate for 2000/01 to 5.8 per cent from 7.0 per cent, while the Reserve Bank of India scaled its estimate down to 6.0-6.5 per cent in its mid-year review from 6.5-7 per cent forecast earlier.

Venezuelan oil workers' strike continues

CARACAS, Oct 13: Venezuelan oil workers vowed to press on with a nationwide strike after the state petroleum monopoly abandoned negotiations over pay raises late Thursday, reports AP.

Petroleos de Venezuela SA told oil labour union leaders that all collective contract talks were off until workers return to their posts, a company spokeswoman said.

Oil workers have been on strike for two days to protest the oil company's refusal to meet their demands on salary increases.

PDVSA, as they company is known, said that at least 36,000 of its 40,000 workers stayed home both days.

PDVSA says its emergency contingency plan can guarantee exports and production of around 3 million barrels a day for about a week. Venezuela is one of the top suppliers of crude oil and refined products to the United States.

Oil union leaders said the decision to halt the strike was out of their hands because workers, frustrated with contract negotiations that have dragged on for almost a year, were acting on their own accord. Union leaders said PDVSA's decision to abandon talks will only "aggravate the situation."

Oil is Venezuela's largest foreign currency earner. Oil Minister Al Rodriguez warned late Wednesday that a prolonged strike could harm production and that union demands would add 70 cents to the cost of a barrel of oil, affect the monopoly's investment budget and harm Venezuela's economy.

Managers replaced workers in many jobs, and automated operations helped minimize the strike's impact. PDVSA vice president Domingo Marsicobetre said, National Guard troops patrolled Venezuela's major oil installations.

The strike highlighted the growing conflict between opposition labour leaders and President Hugo Chavez, who has denounced union leaders as corrupt.

Gore-Bush debate remarks take IMF by surprise

Allegation of fund embezzlement by Russia refuted

WASHINGTON, Oct 13: The IMF yesterday welcomed calls for reform from both leading US presidential candidates, but said it had no evidence to back claims by Texas Gov. George W. Bush that its funds were embezzled by former Russian Prime Minister Viktor Chernomyrdin, reports Reuters.

Bush, the Republican presidential nominee, and his Democratic rival, Vice President Al Gore, both urged reform of the International Monetary Fund (IMF) during their televised debate on Wednesday night.

"We were perhaps somewhat impressed with the amount of attention that was received last night," chief IMF spokesman Tom Dawson told reporters at a regular weekly briefing.

But Dawson said the IMF had no evidence that Bush's claim had any merit.

"With regard to the possible misuse of funds in Russia, we do take seriously all allegations and examine them," Dawson said, before adding, "We are not aware of any evidence to support this particular allegation."

During the debate, both Bush and Gore advocated reforms at the IMF to ensure its money ends up in the right

hands.

Bush, going further than Gore, singled out controversial loans in 1998 to prop up Russia's ailing economy, saying part of the \$4.8 billion, "ended up in Viktor Chernomyrdin's pockets."

Chernomyrdin responded on Thursday, saying he would sue Bush, Chernomyrdin, who had been out of office for several months by the time the money reached Moscow, said Bush's remarks were damaging to his reputation.

"It was strange to hear such statements from a politician running for high office. Making responsible statements is a vital trait for a statesman in a democratic society," Chernomyrdin, now a member of parliament, said in a statement.

"It's a shame that Mr. Bush Jr. was brought up in another tradition. I think Mr. Bush Jr. should be getting ready for a court hearing on the issue," he said.

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Dawson characterised the calls for reform as, "quite appropriate," noting that the IMF is actively tackling the issues raised by the candidates.

China develops Super Rice

SHENYANG, Oct 13: Chinese scientists have developed a new species of rice named "Super Rice" in northeast China's Liaoning Province, reports Xinhua.

The development was made by Shenyang Agricultural University.

Researchers said that the new species can produce more than 12,000 kilograms of rice per hectare, 3,000 kilograms more than the current average level in the province.

Rice harvest in Liaoning shrunk by 10 per cent this year because of a lasting drought, but the yield of the new species remained at its normal level, researchers said.



This file picture dated March 10, 1992 shows Japan's Sony Corp. founder and honorary chairman Akio Morita during a press conference. Morita, who died at the age of 78 last year, has left 39.3 billion yen (364 million dollars) in inheritance to nine family members and of that amount, 13 billion yen would be deducted as inheritance tax. - AFP photo

Weekly Currency Roundup

October 9 - 12

Local Market

Foreign exchange market maintained steady trend of activities last week. The number of working days was reduced because of Puja Holiday but its impact was limited in the market. Demand for dollar was rangebound as ample liquidity of dollar prevails in the market. Most of the market players were long in dollars. The liquidity persists mainly due to absence of trade related demand and influx of inward remittance. Demand for short term forward increased in the corporate segment.

According to Bangladesh Foreign Exchange Dealers Association (BAFEDA), the daily average foreign exchange turnover was \$ 257.94 million. The average USD selling rate against import letter of credits was Tk 54.2690 and the average USD buying rate against inward remittance was Tk 53.8429.

In the informal market, dollar is trading at Tk 58.30 level. The trading range of dollar in the korb market has declined slightly.

Last week, demand in the money market perked up and as a result trading range of call money was also escalated. Bangladesh Bank accepted Treasury Bills worth of Tk 75.15 million of which Tk 73.15 million for 28 days @ 6.4 pct, Tk 100 million for 364 days @ 7.5 and Tk 100 million for 2 years @ 8.5 per cent. Throughout the week call money rate fluctuated between 6.25 and 8.00 per cent.

International Market

In the beginning of the week, bankruptcy of Japan's 12th largest life insurer induced substantial yen buying, far beyond warranted by the failure Chiyoca Mutual Life Insurance, heavily laden with non-performing assets, filed on Monday for court protection from its creditors under new fast track laws for financial firms, becoming Japan's biggest corporate bankruptcy with 2,94 trillion yen (\$27.02 billion) in debt.

In the middle of the week, dollar kept calm even while the market players questioned how long it could stay aloof from the carnage taking place in the US equities. In the last part of the week, euro was firmer but the dealers were unconvinced of its ability to sustain a rebound in the wake of its fall to its lowest levels since then group of seven intervention three weeks ago. The dollar was stronger against yen after trading in a narrow range. Market players commented that the euro's inability to capitalise on falls in US shares, led by drop in the Nasdaq, which has slid 25 per cent since September 1, boded ill for its near term outlook, dollar kept calm even while the market players questioned how long it could stay aloof from the carnage taking place in the US equities. European currencies were also expected to suffer, but dealers said they could not help but feel that the United States with its hunger for capital had most to lose. - StarChart

Iraq wants euro oil payment in lieu of dollar

BAGHDAD, Oct 13: Iraq's Oil Minister Amir Muhammed Rasheed confirmed yesterday that his country had asked its customers lifting its UN-monitored crude oil exports to pay in euros instead of dollars starting from the beginning of November, reports Reuters.

Rasheed, however, declined to comment whether Iraq would or would not halt its oil exports if the United Nations turned down an Iraqi request to make the switch from dollar payments.

"We have decided that our oil sales are paid in euros as from the beginning of next month," Rasheed said.

"We have informed the United Nations about the subject and we are taking steps to implement it," he said.

Asked what would happen if the United Nations declined to arrange euro payments, Rasheed said, "We officials do not comment on hypothetical questions."

Abdullahi Putrus, deputy governor of the Iraqi Central Bank, was quoted by the weekly al-Zawra as saying, Baghdad might halt oil exports unless a bank account holding its UN-supervised revenues was changed from dollars into euros.

The reported statement runs counter to an announcement by Iraqi Vice-President Taha Yassin Ramadan at an OPEC summit in Caracas on September 28 that Baghdad would not hold back its crude oil from the world oil market.

UN sources said in May that the Banque Nationale de Paris account had a record \$7.8 billion from proceeds of Iraqi oil sales under the UN humanitarian oil exchange.

PCCW may reduce its bill at any time. Telstra to purchase US\$750 million convertible note in PCCW. Conversion price at 115% of VWAP over 45 days following Oct 12.

A monitor displays parts of a revised deal between Hong Kong's Pacific Century Cyberworks (PCCW) and Australia's Telstra Corp Ltd. during a press conference in Hong Kong yesterday, following their revised multi-billion dollar strategic alliance. PCCW and Australia's former telephone monopoly Telstra are linking up to provide pan-Asian Internet services and to create a new regional mobile telephone company. - AFP photo

Filipino central bank ups rates to back peso

MANILA, Oct 13: In a desperate bid to stall the peso's slide against the dollar, the Philippine Central Bank drastically raised its overnight rates by 4 percentage points, and further increased the reserve requirements of commercial banks, reports AP.

"This is in response to the volatility in the exchange rate and the possible effect on inflation," Deputy Governor Amando Tetangco said after a special meeting Thursday of the central bank's policy-making Monetary Board.

Currency watchers expect the tightening to provide only temporary relief for the beleaguered peso, which fell to a record low against the dollar Thursday of 48.50 pesos due to a deepening political crisis over allegations that President Joseph Estrada received millions of dollars in payoffs from illegal gambling operators.

Estrada has denied the allegations.

Effective Friday, the key overnight borrowing rate will rise to 15 per cent from 11 per cent. The overnight lending rate will increase to 17.25 per cent from 13.25 per cent.

The increase follows a 1 percentage point rise in the central bank's overnight rates in mid-September.



A teller counts US dollar notes at a moneychanger in Jakarta yesterday. The rupiah was dragged further down by regional weaknesses, exceeding the psychological 9,000 rupiah per dollar mark before stabilising slightly stronger at around 8,875 following dollar selling by Indonesian state banks. - AFP photo

Yugoslavia takes aim at joining IMF in months

WASHINGTON, Oct 13: The International Monetary Fund said yesterday that Yugoslavia had indicated its interest in rejoining the lending body, and that the Balkan country could achieve that goal in a matter of months, reports Reuters.

Yugoslavia, led by strongman President Slobodan Milosevic, was cut off by the IMF in 1992 and the World Bank in 1993 for its role in a series of Balkan wars and for refusing to pay money it owed on loans.

But the recent election of Vojislav Kostunica as president has led to a warming of relations and an easing of sanctions, making rejoining the IMF and World Bank more likely.

"In recent days, members of the new team in Yugoslavia have indicated publicly their interest in joining all international financial institutions, including the fund," chief IMF spokesman Tom Dawson told reporters at a news briefing.

While the IMF had not been contracted directly on the issue, Dawson said it "welcomes the new team's intention to join the fund and other international institutions, and the fund is ready send a mission to Yugoslavia either alone or as part of a joint initiative - possibly including the European Commission and the World Bank."

Dawson said the first hurdle is an agreement on how to clear arrears of \$128 million, but he said the Balkan country could rejoin the international lender in a matter of months.

The World Bank said on Wednesday it would welcome Yugoslavia back into its membership, noting that the issue of \$1.7 billion in arrears would need to be dealt with as a precursor to membership.

Dawson said the arrears would not have to be paid before rejoining but, "acknowledged" with a plan agreed on how to deal with repayment.

Yugoslavia has never addressed the issue of arrears with either institution.

In the past, the IMF and World Bank has welcomed back members with new loans to help with paying arrears.

Rejoining the two institutions is critical to Yugoslavia because foreign investors are unlikely to return to the trou-

bled economy without a package of economic and structural reforms tied to IMF and World Bank cash.

Dawson said the process of negotiating membership is "not something that should be time consuming." When pressed on a possible timetable, he said it could be done in a matter of months and possibly as early as December.

One possibly sticking point - the legal fate of Milosevic - was not an issue with the IMF, he said.

Dawson was responding to reports that the United States would block membership of the international financial institutions, until the fallen leader's fate was resolved with the new Yugoslavian government.

The United States has the largest vote at both the IMF and World Bank, giving it an effective veto over Yugoslavia's re-entry should political difficulties arise.

Yugoslavia's economy is in tatters after more than a decade of strife. NATO bombings last year and sanctions, a fresh injection of cash from the two international lenders after years

of isolation could prove invaluable in helping rebuild the country's economy, which contracted by more than 20 per cent last year. Inflation in Yugoslavia topped 50 per cent this year and unemployment is close to 30 per cent.

Meanwhile, a London/Belgrade reports says: Private sector creditors may look to do a rapid deal with Yugoslavia on the \$1.75 billion of debts owed to them, according to a banker who took part in previous debt negotiations with the country.

The terms of any deal are also likely to be better than those offered before and could include a proviso linking payments to a recovery in the Yugoslav economy, as in a Bosnian debt deal, or accelerating payments a certain number of years after the ending of sanctions.

This would ensure the war-damaged economy, which has an estimated \$12 billion in total debts to public and private creditors, regained access to private capital to rebuild and that private creditors would not be railroaded by the Paris Club

of official creditors and the International Monetary Fund into a coercive deal.

"We can thrash out a deal before the year end, we do not need any preconditions unlike the IMF," said one banker who was involved in the last Yugoslav debt negotiations in 1998.

Any potential deal is at the very early stages of consideration and is crucially dependent on the new administration of President Vojislav Kostunica staying in power. Supporters of ousted President Slobodan Milosevic have made attempts to regain power.

However, without the formation of a new administration, the Yugoslav side says it is not possible to re-start talks.

The Yugoslavs are also keen on a higher level of debt forgiveness than the banks are likely to offer and may use the Paris Club of official creditors as leverage.

"We expect them (the private banks) to forgive at least as much as they did in the case of Bosnia, perhaps even more," Mladjan Dinkic, a leading opposition economist and the man touted as the country's next

German auto cos see sales dipping on high oil

FRANKFURT, Oct 13: Germany's VDA automobile industry association said uncertainties over petrol prices and taxes had led to a sharp decline in new auto sales, says Reuters.

The VDA said in a statement that auto sales in September were down 11 per cent year-on-year at 275,000 units, but were up four per cent against August on a seasonally adjusted basis.

"Among other things, this (drop) shows the uncertainties about fuel prices and the taxation of fuel," VDA said.

Despite high world oil prices and angry protests by truckers and farmers, the German government is pressing ahead with plans to raise ecology taxes on energy use.

Auto production in September was down six per cent year-on-year at 446,000 units, but up one per cent against August seasonally adjusted.

Auto exports were down one per cent year-on-year at 296,500 units.

Production and exports of utility vehicles were up six per cent and 11 per cent year-on-year in September at 35,700 and 23,000 units, respectively.

New registrations of utility vehicles fell six per cent year-on-year to 25,000 units.

For the January to September period, auto production was down three per cent year-on-year at 3,824 million units, while new registrations were down 11 per cent at 2,617 million units.

Auto exports were up three per cent to 2,564 million units in the first nine months of the year.

Utility vehicle production was up four per cent in the Jan-Sept period, with exports up 11 per cent but new registrations down one per cent, VDA said.