S Korea proposes economic talks with North next week

SEOUL, Dec 22: South Korea on Friday proposed to hold high-level economic talks with North Korea next week to discuss rebuilding the communist North's dilapidated economy and providing it with badly needed electricity, says AP.

South Korean Unification Minister Park Jae-ky sent a letter to his North Korean counterpart, Chon Gum Jin, on Friday suggesting that the two Koreas hold the talks in the North's capital of Pyongyang on Dec. 28-30.

The South proposed to send five negotiators headed by Vice Finance and Economy Minister Lee-Jung-jae, 18 support personnel and eight journalists.

North Korea has yet to respond.

During last week's Cabinet-level talks, the two Koreas agreed to start planned talks on economic cooperation in late December.

Both sides will discuss a North Korean demand that the South provide its Northern communist neighbours with 500,000 kilowatts of electricity to help ease its power shortage, said ChoKyu-bom, an official at the Finance and Economy Ministry.

North Korea's energy shortage is severe. Power failures are common even in Pyongyang and travelers have reported seeing public buildings and homes without heating and electricity in winter.

In 1994, a US-led consortium agreed to help build North Korea two nuclear reactors to meet its power needs in exchange for the North freezing its nuclear programme. Completion of the first light-water reactor had been scheduled for 2003, but delays have pushed back the date by several years.

Other topics will include a project to reconnect the rail line between the two Koreas.

The leaders of the two Koreas agreed to seek economic cooperation and political reconciliation during their June summit.

The Koreas fought a 1950-53 war, which ended without a peace treaty. Their border remains tightly sealed and there is no regular means of cross-border travel or communication for ordinary Korean citizens.

British trade deficit falls in October

LONDON, Dec 22: Britain's trade deficit with the rest of the world fell to 2.498 billion pounds (four billion euros, 3.69 billion dollars) in October from a revised deficit of 2.535 billion pounds in September, official statistics showed Friday, reports AFP.

In November, the deficit was 2.324 billion pounds excluding European Union countries, compared with a revised deficit of 2.396 billion pounds the previous month, the Office for National Statistics said.

Analysts had forecast a trade deficit in October of 2.6 billion pounds, and a non-EU goods trade deficit in November of 2.5 billion pounds.

For goods and services the October trade deficit was 1.547 billion pounds from 1.683 in September.

Indian stocks heading for uncertain week

BOMBAY, Dec 22: Indian stocks face an uncertain week as investors and speculators settle in for the Christmas holidays, brokers said Friday, reports AFP.

On the Bombay Stock Exchange (BSE) the 30-share sensitive index closed Friday at 3,905.90 points, down 231.26 points, or 5.6 per cent, from the previous week's close.

The index was down 3.2 per cent Friday over Thursday as foreign investors and speculators "unwound long positions" mainly in infotech stocks.

"We cannot forecast anything for next week as foreign investors will be away for the Christmas vacations. The market certainly looks weak," said broker Ajit Ambani at Sharedeal Financial Services.

The BSE is closed Monday for Christmas.

Ambani said the market could revive if domestic financial institutions came in next week.

"However, if they choose to stay away and (if) this kind of fall continues the index could be down 200 points next week."

Broker Gaurav Sanghvi at Phoenix Share and Stockbrokers said the BSE was expected to open "lacklustre" on Tuesday and remain so on Wednesday as well.

"We could see narrow movements – 20 or 30 points – of the index. A revival is likely on Thursday as prices would have become attractive by then."

Brokers said infotech as well as "old economy" stocks were likely to move up on Thursday.

"Infotech stocks have fallen between 25 and 30 per cent during the last three days. So there is scope for a 10 per cent rise next week," said broker Atul Jayantilal.

The week's trade saw Associated Cement Cos down 5.85 at 157.30 rupees while Glaxo India was down 8.20 at 441.50 rupees.

OPEC output cut on the cards

Cartel chief reacts to Bush's call for price cuts

CARACAS, Dec 22: OPEC President Ali Rodriguez said yesterday he welcomed what he called the disposition of US President-elect George Bush to make agreements between the oil exporting cartel and consuming countries, says Reuters.

But in sharp contrast to Bush's call for OPEC to "open the spigots" and bring prices down, Rodriguez said the world market was now oversupplied with crude oil an output cut was on the cards at a cartel meeting next month.

From around its highest level in about a decade, the price of OPEC's oil exports has lost a third of its value in a month, falling to $22.26 per barrel on Wednesday. That puts it just above the lower limit of OPEC's $22-$28 per barrel target range.

Bush, who has expressed concern about a possible US energy crisis, said on Wednesday he wanted to foster relations with OPEC and convince the cartel to help lower energy costs for American consumers.

"OPEC has already opened the spigots significantly this year and raised supply by nearly four million barrels per day," Rodriguez, who is also Venezuelan Energy and Mines Minister, told reporters at an award ceremony.

"At the moment there is oversupply of oil and inventories have risen a lot," he added.

Rodriguez, who takes up the post of OPEC Secretary-General on Jan. 1, said he welcomed the idea of talks between OPEC and oil consuming countries.

"There are many issues we would like to discuss with Bush, now that he has made a positive announcement about possible agreements between OPEC and consumers," Rodriguez said.

"Issues such as correcting the problem of speculation in the markets, the problems of refining in the United States which affects the price of refined products, and transport problems," he added.

Earlier this year, oil prices which provide the lion's share of OPEC governments' revenue, rose to their highest level since the 1991 Gulf War.

The spike revived memories of the 1970s oil shocks that sparked a global economic recession, and brought calls for more supply from the cartel which only a year earlier made drastic export curbs.

OPEC which supplies 40 per cent of the world's daily diet of 76 million barrels per day (bpd), agreed to hike output four times this year.

But the Arab-dominated group insisted that much of the blame for excessive prices was due to a lack of investment in refineries, tankers and pipelines in the United States.

If prices stayed where they were now, Rodriguez said, the cartel would reduce supply at a ministerial meeting planned for Jan. 17, just three days before Bush takes office.

Global oil inventories were rising, and had already reached the equivalent of 83 days of demand.

However, there was still no consensus among OPEC members on the size of the cut to be made, he added.

Venezuela is one of the top three oil suppliers to the United States, but under the two-year-old government of left-leaning President Hugo Chavez it has assumed the role of an oil price hawk within the cartel.

According to OPEC's informal price target mechanism, if the price of its exports leaves the $22-$28 per barrel range, the cartel adjusts its output by 500,000 bpd.

"The established amount (of the cut) would be 500,000 barrels per day, but if we conclude that more is needed, we will do so," Rodriguez said.

Many other OPEC members, including Iran, Kuwait and Indonesia, have called for a cut of a million bpd.

Prices make modest recovery

Another report says oil prices, reeling from a rout that has sliced crude values by a third since October, made a modest recovery yesterday.

London Brent crude futures last traded 64 cents higher at $23.65 a barrel while US light crude ended 28 cents up at $26.05.

Despite the firmer close dealers said that the market was strongly rooted in a negative downtrend, a reflection of pre-holiday selling and heavy fund liquidation.

Battered by reports of a surge in US crude oil stockpiles crude fell $2 on Wednesday, the biggest one-day decline in two months leaving October's $35 peak a distant memory.

US President Bill Clinton signs H.R. 4577, Consolidated Appropriations Act bill in the Presidential Hall in Washington yesterday. Clinton signed the last bill in his final budget that was passed by Congress. -- AFP photo

White House rebukes Bush team on economy comments

WASHINGTON, Dec 22: The White House yesterday scolded President-elect George W Bush and some of his top aides for gloomy talk about the US economy and said he ought to focus on his pending challenge, not "blame and finger-pointing," says AFP.

"We're not trying to muzzle anyone. I think we're just urging a measured tone," said President Bill Clinton's spokesman, Jake Siewert. "What an administration should do is focus on what the facts are and what you can do about them to address those challenges."

Bush, Vice President-elect Dick Cheney and other Republican aides have stepped up warnings about the an economic downturn in what Democrats consider a political effort to shore up support for Bush's 1.3 trillion-dollar tax cut plan.

Siewert acknowledged the bleaker economic forecast, but upbraided Bush's administration, suggesting they learn by example from Clinton, who has overseen the longest economic expansion in US history.

"Your words, as someone who's in the government, have a greater significance and are taken seriously, and so it's important to keep those words and those pronouncements in line with what's actually going on in the real world out there," he said.

Clinton has "always talked about it in a way that takes some recognition of dangers that are out there but tries to provide solutions and not just blame and finger-pointing," the spokesman added.

Ironically, the outgoing Democratic leader used the slogan "It's the Economy, Stupid" as a call to arms during his successful 1992 defeat of the Republican president-elect's father, George Bush.

A Reuters report says: Early on Thursday morning, the head of the National Economic Council and President Clinton's economic adviser, Gene Sperling, accused Bush of undermining the economy for short-term partisan gain so as to bolster the case for a Republican tax cut plan.

"What you're seeing is President-elect Bush and his team actually talking down our economy, actually probably injecting more fear and anxiety into the economy than is justified. And I think that's a serious mistake for him," said Sperling.

"I think it sends a signal that he's willing to be political in describing the economy instead of serious and disciplined and not political," Sperling added in an interview on ABC's "Good Morning America" programme.

That the US economy has slowed from the breakneck pace of early 2000 is undeniable. The government on Thursday revised down its estimate of growth in gross domestic product - the measure of total goods and services produced within US borders - to an annual rate of 2.2 per cent in the July-September period from 2.4 per cent reported a month ago.

That was less than half the second quarter's 5.6 per cent rate of expansion and was the most sluggish for any quarter since a 2 per cent rate during the third quarter of 1996.

Hyundai Motor sees $15b sales this year

SEOUL, Dec 22: South Korea's biggest auto maker Hyundai Motor Co. said Friday it expected sales to reach 15 billion dollars this year and it expects business to pick up more for next year, reports AFP.

The sales are expected to reach 18.3 trillion won (14.9 billion dollars) this year and rise to 20.4 trillion won in 2001, it said.

It also forecast that pre-tax profit would rise to about one trillion won in 2001 from the record 720 billion won expected this year.

It plans to expand exports amid slower domestic demand for cars in 2001.

Hyundai Motor said sales should reach 1.59 million units in 2000, up 25.4 per cent from a year earlier. Exports are seen rising 30.8 per cent to 880,000 and domestic sales by 19.3 per cent to 710,000.

Next year sales are seen rising to 1.72 million units next year, up 8.2 per cent from a year earlier, with 1.05 million sales abroad and 670,000 at home.

Clinton signs final budget

Fiscal discipline urged amid economic dip

WASHINGTON, Dec 22: President Bill Clinton signed the last budget bill of his administration yesterday, boosting funding for the nation's schools and extolling the benefits of fiscal discipline amid fears of an economic downturn, says Reuters.

Clinton hailed the final piece of a 81.8 trillion spending plan for fiscal year 2001, saying it would allow the government to pay off hundreds of billions of dollars in debt and safeguard record budget surpluses, boosting the nation's economic prospects.

"We saved the best for last," Clinton said of the bill, which includes the biggest-ever increase in education funding, tax breaks to spur development in poor areas and $35 billion in Medicare payments to health care providers.

"This budget takes the long look ahead – to educate our children, renew our communities and build our common future... If we stay on this course, our best days are ahead," Clinton said at a signing ceremony, one month before leaving office on Jan. 20.

But Clinton's relatively upbeat outlook clashed with warnings this week by President-elect George W Bush and his advisers that the US economy may be headed for a fall. Clinton aides accused Bush and his allies of "talking down" the economy for short-term partisan gain and to boost their sweeping tax cut plan.

The House of Representatives and the Senate approved the final budget bill on Dec 15 after weeks of rancorous negotiations, which dragged on past the Nov 7 elections when both the Congress and Clinton became lame ducks. The budget had been due on Oct 1.

Before the deal was reached, Republicans cited a "poisoned" atmosphere, and House Republican Whip Tom DeLay of Texas called on Clinton to accept a freeze in some spending or face a government shutdown in his final days in office.

But Republicans and Democrats pulled back from the brink, padding spending bills with priorities that both sides could claim as victory. The budget that emerged in the end grew nearly $40 billion above fiscal 2000.

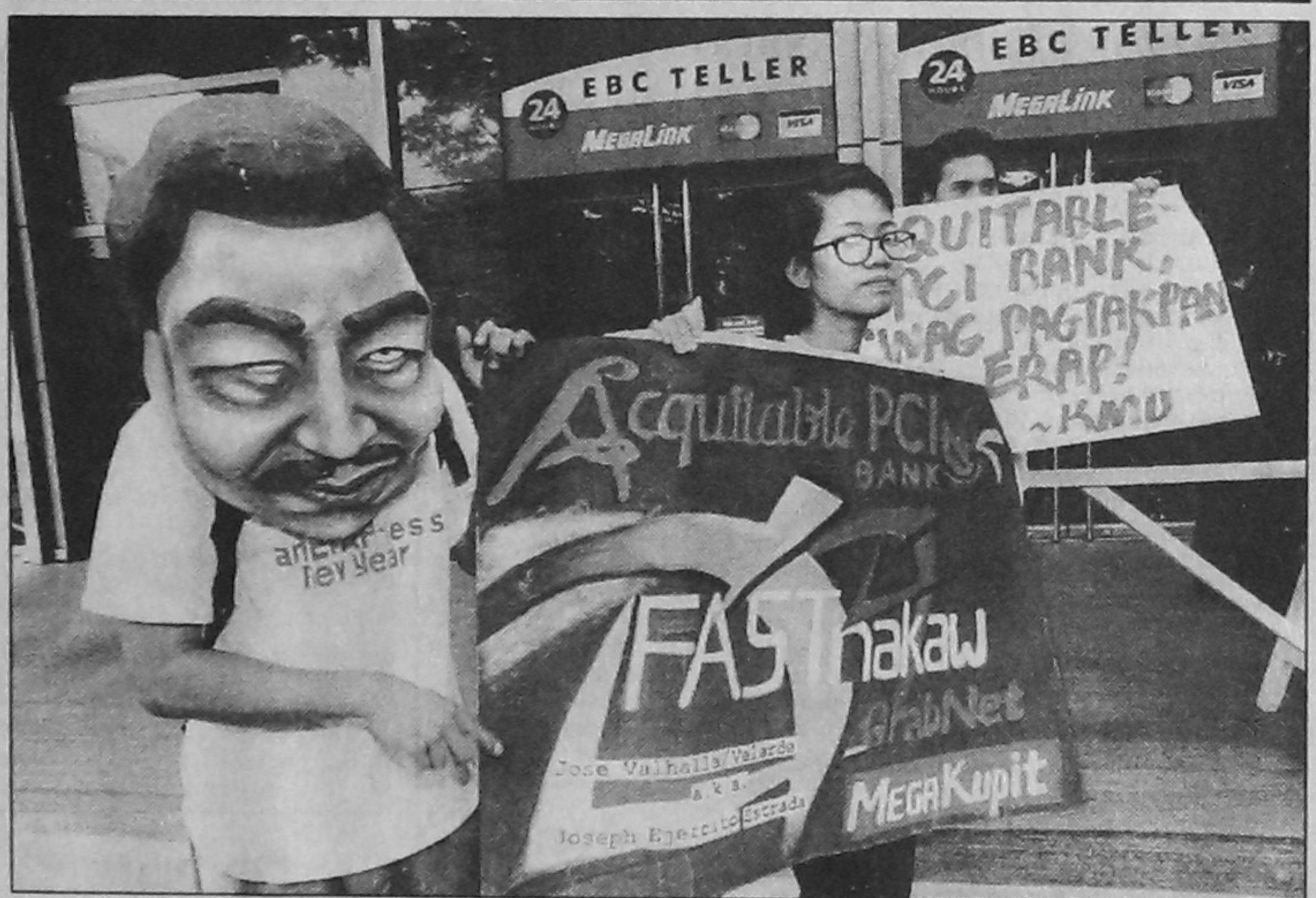
The last major portion of the package that congress approved boosts spending for schools by $6.5 billion and medical research by $2.5 billion.

"This clearly is the biggest and best education budget in our nation's history, and it will make a difference in the lives of millions of young people," said Clinton.

At the urging of the health care industry, Clinton and Congress agreed to distribute about $35 billion in Medicare and Medicaid funds to hospitals, nursing homes, home health care providers and managed care plans.

Clinton had sought amnesty for long-term illegal immigrants but eventually settled for a narrower plan.

The package also provides $25 billion in tax breaks over 10 years to spur investment in poor areas, including a zero capital gains rate and 15 per cent wage credit for some 40 poor communities designated as renewal communities.



A small group of leftist rallyists led by a man wearing a mask of President Joseph Estrada picket yesterday the headquarters of the Equitable PCI Bank to assail the alleged tampering of bank records to supposedly protect Estrada. Prosecutors in the corruption trial of Estrada in the Senate have alleged that bank documents which should have proved that Estrada had a secret bank account in the name of "Jose Velarde" had been altered so that specimen signatures did not resemble his handwriting. The prosecutors say the supposed secret bank accounts of Estrada can be used to trace alleged ill-gotten wealth of Estrada. If found guilty, he will be forced to step down. -- AFP photo

WB approves $1b in new Turkey loans

WASHINGTON, Dec 22: The World Bank said yesterday it had approved more than $1 billion in new loans for Turkey as part of an overall support strategy that could eventually amount to some $5 billion by mid-2003, says Reuters.

"The strategy focuses on efforts to restore stable and higher growth, create employment, reduce inflation, improve public management, expand social services and social protection, accelerate connectivity and strengthen environmental management and disaster mitigation," the international lender said in a statement.

It said one loan, amounting to $778 million, was aimed at supporting the government's efforts to reform Turkey's financial sector and reduce the vulnerability of the country's banks.

A second loan of $250 million is aimed at supporting the government's privatization program by cushioning the social impact of the sell-off of state-owned enterprises.

The World Bank loans come after the International Monetary Fund signaled it will give Turkey $7.5 billion in fresh funds after a banking crisis had threatened an existing disinflation program backed by $4 billion of loans.

'Russia to witness record post-Soviet growth'

PM gives new figures showing economic boom

MOSCOW, Dec 22: Russian Prime Minister Mikhail Kasyanov said yesterday this year would show record post-Soviet economic growth levels, a huge trade surplus and surging domestic and foreign investment levels, says Reuters.

Russia's economy, largely dependent on exports of oil and gas, has been boosted by high international energy prices and the positive effects of a rouble devaluation after the 1998 financial crisis.

"The year 2000 was a special year. Political stability has created conditions for the economy to move forward. My evaluation of the economic development is positive," Kasyanov told a news conference.

Gross domestic product, which rose 3.2 per cent in 1999, is expected to rise seven per cent this year, while industrial output would increase by 9.5 per cent compared with an 8.1 per cent rise last year.

"The main factor behind industrial growth is widening domestic demand, demand for investment," Kasyanov said, adding domestic investment had risen 17-19 per cent compared to 1999.

Foreign investment had risen 20-22 per cent to $8 billion, with about half of it going to industry. Household real incomes had grown 9.5 per cent, he said.

Kasyanov said most growth was in the light, medical, printing, metallurgy and machine-building industries. Barter had fallen to 20 per cent from 60 per cent two years ago.

Kasyanov said the trade surplus would hit a 10-year high of $60 billion, with exports $102 billion and imports $42 billion.

In 1999 Russia's trade surplus was $36.2 billion, with exports $75.8 billion and imports $39.6 billion.

Kasyanov said agriculture, for the first time in 10 years, had produced three per cent more than in the previous year.

He said the government hoped the IMF, which is due to send a mission to Moscow in January, would decide whether or not Russia needed a reduction in its $48 billion debt to the Paris Club of creditor nations.

"I think that in January our positions will become closer and the mission will confirm Russia needs debt relief," he said.

The previous mission left Moscow in November without issuing any recommendations. The main stumbling block was different estimates of 2000 prices for oil, Russia's main export.

Russia cannot start negotiations with the Paris Club, to which it is due to pay $3 billion next year, without an agreement with the IMF.

Commodity: Weekly Roundup

Prices of oil fall to 8-month low, sugar increase

LONDON, Dec 22: Oil prices fell for the fourth week in a row, tumbling to levels not seen since mid-April, as US figures showed crude stock levels increasing, reinforcing market confidence that there will be enough oil to go round during the northern hemisphere winter, reports AFP.

Benchmark Brent North Sea crude oil for February delivery was selling for 23.84 dollars a barrel in London by Thursday afternoon, compared with 25.81 dollars a week earlier.

In New York, January light sweet crude was quoted at 26.05 dollars a barrel on Thursday, against 27.17 dollars the previous week.

The falling prices came as a result of the latest figures for US crude reserves which showed that stocks swelled by 3.1 million barrels last week.

"There has been some building in US crude stocks, but this is a fall in prices ahead of a shift in the fundamentals," said Prudential Bache analyst Christopher Bellew.

Oil prices have now tumbled 10 dollars – around 30 per cent – this month alone after a year of soaring prices.

Market perceptions have shifted radically from concern that oil supplies would fail to meet the heavy demand of a northern hemisphere winter, to fears that there might actually be too much oil sloshing around on the market.

The Organisation of Petroleum Exporting Countries (OPEC), which increased output four times this year to coax prices down, is now thinking of cutting production at a January meeting to reverse the trend.

"The market is now building in an expectation that OPEC will cut output by half a million barrels a day, but if prices go lower than 22 dollars it could be more," said Bellew.

Other analysts cautioned that the market could have hit the bottom.

"Selling the market at current levels could be dangerous as the market appears very oversold in the short-term," said the GNI brokerage in a research note.

Rubber: Turkey. Rubber prices went sideways in London and slipped slightly in Kuala Lumpur in quiet year-end trading.

In London, the rubber index for January delivery held firm at 50.00 pence per kilo.

In Kuala Lumpur, the RSS1 index slipped to 2.45 ringgit from 2.51 ringgit per kilo last week.

Cocoa: Angel. Cocoa prices rose this week as fears grew of a tighter-than-expected market next year because of supply shortages.

On London's LIFFE financial futures exchange, the price of a tonne of cocoa for May delivery rose to 574 pounds from 559 pounds last week.

On New York's CSCE market, the May contract closed Thursday's session at 760 dollars a tonne from 729 dollars a week earlier.

Some London brokers are already revising down forecasts for stocks and supply next year, giving prices an upward lift.

Coffee: Donkey. Coffee prices moved in a tight range this week, with the market supported by a modicum of industry buying and a slowdown in sales from Vietnam, which has been swamping the market with output in recent weeks.

On LIFFE, Robusta quality for January delivery eased slightly to 617 dollars a tonne on Thursday from 625 dollars a week earlier.

On the New York futures market, Arabica prices for March delivery closed at 65.45 cents a pound on Wednesday, from 65.55 cents last week.

"Prices moved up a bit on Thursday, with some industry related buying, but it's moving in a tight range," said one London-based trader. "Vietnam has been selling aggressively in recent weeks, but that has abated because of the low prices."

Sugar: Star. Sugar prices turned around their recent decline this week as investors made the most of early January sales to stock up at bargain prices.

On the London market, May contracts rose to 239.50 dollars a tonne on Wednesday from 231.20 dollars last Thursday.

In New York, a pound of white sugar (for May delivery) jumped to 9.50 cents from 8.84 cents.

Vegetable oils: Sprouts. US soya prices edged up this week as they continued to find support from expectations of increased demand for noon-meat-based animal feed in response to the mad cow scare in Europe.

On the Chicago Board of Trade (CBoT), a bushel of soya for January delivery rose to 5.08 dollars Wednesday from 5.043 the previous Thursday.

A bushel of soyabean meal – used in animal feed – for January delivery jumped to 1.924 dollars from 1.893 dollars.

Grains: Cracker. Grain prices advanced this week.

On the Chicago Board of Trade a bushel of 27.2 kilos of wheat for March delivery closed at 271 cents on Wednesday from 261 cents on Friday.

A bushel of 25.4 kilos of maize for January delivery rose to 218.25 cents from 210.50 cents.

On London's LIFFE market the price of a tonne of wheat for January delivery nudged up to 65.50 pounds from 65.35 pounds.

Cotton: Stocking. Cotton prices barely stirred in the last few trading days before the Christmas break.

On the NYCE in New York, the March contract was selling for 65.69 cents a pound Wednesday, from 65.63 cents the previous Thursday.

The Cotton Outlook index of physical cotton prices, the average of the lowest world prices, edged down to 65.95 cents from 66.00 cents a pound.

Wool: Shepherd. Australian wool prices, which set the tone for world markets, were unchanged this week.

The Eastern Index was flat at 733 cents per kilo while the British Wooltops index ticked down to 324 pence from 327 pence.

Taiwan officials plan boat trip to China to open 'mini links'

TAIPEI, Dec 22: Taiwanese officials plan a pioneering official boat trip to China for the opening of ground-breaking direct links between the two rivals, it was announced Friday, reports AFP.

About 190 officials from Kinmen (Quemoy), the frontline island directly facing the mainland's southeastern province of Fujian, intend to make the trip from Kinmen when the links begin in January, according to Kinmen county magistrate Chen Shui-tsai.

The so-called "three mini links" – direct trade, transportation and postal services – are set to begin on January 1 between the outlying Taiwanese outlying islands of Kinmen and Matsu and Fujian.

The officials additionally hope to bring back around 100 elderly former Kinmen residents who were forced to stay in Xiamen after the civil war ended in 1949, to visit family members after a five decade long separation.

"We hope to fulfil these old people's dreams," Chen said.