

Japan seeks to counter China's expansion in Southeast Asia

AFP, Nusa Dua, Indonesia

Japan wants to widen its largely business-oriented ties with Southeast Asia to counter China's aggressive political, economic and security forays but the region is playing hard to get.

At a summit meeting on Indonesia's Bali resort island this week, China is set to sign three key pacts with the Association of Southeast Asian Nations (ASEAN), including a "strategic" tie-up accord that has raised the eyebrows of many analysts.

The ASEAN-China Declaration on Strategic Partnership, to be signed by Prime Minister Wen Jiabao and his counterparts from the 10 ASEAN member states, will elevate cooperation to "a higher and more comprehensive dimension," an ASEAN official said.

"This is the first time ASEAN is calling an agreement with any of its dialogue partners as strategic -- strategic in the sense that it is all-encompassing cooperation," the official added.

Aside from the pact, China will sign documents according to the ASEAN Treaty of Amity and

Cooperation -- effectively a non-aggression pact -- and endorse a protocol that will give several Southeast Asian states early benefits under a free trade area to be jointly developed by 2010.

Japanese Prime Minister Junichiro Koizumi meanwhile has only one agreement scheduled for signing with the ASEAN leaders -- the Framework for Comprehensive Economic Partnership -- aimed at strengthening linkages with a provision for a joint free trade area some-time in the future, officials said.

To match the giant strides taken by China to improve ties with Southeast Asia, Tokyo has proposed an ASEAN-Japan Charter to upgrade relations befitting Japan's status as top investor and importer in the region, officials said.

The charter would be a "basic political document with basic principles of cooperation accompanied by precise actions reflecting strong solidarity between ASEAN and Japan" said Hitoshi Tanaka, a senior Japanese official attending the summit talks.

But many ASEAN states have expressed caution over the proposed agreement. Japan wants it

signed when all 10 Southeast Asian leaders travel to Tokyo for a summit with Koizumi in December to commemorate the 30th anniversary of relations between the region and the world's second biggest economy.

"Charter is a very exalted word," Philippine Foreign Secretary Blas Ople said, citing the United Nations charter as an example.

"This is viewed with reservations on the part of ASEAN because (having) a charter with Japan will give a right for other powers to have their own charter with us," he said.

Ople said ASEAN was exploring "what Japan can offer us to deserve the case for a charter."

With impending elections in Japan, analysts say Koizumi wants to show his people that Tokyo is not lagging behind China in relations with Southeast Asia, whose progress has been fuelled mostly by Japanese investment.

Makarim Wibisono, a senior Indonesian foreign ministry official, indicated that at the Tokyo talks, ASEAN would prod Japan further to open its market to goods from the region and increase financial help to bridge the "development gap" between ASEAN and Japan.

While it cannot be doubted that Southeast Asia had been riding on Japan as its key market, China is slowly catching up as it rapidly absorbs imports from the region.

"We couldn't have come so far without Japan but a new momentum needs to be injected into our relationship and the ASEAN-Japan commemorative summit in December will provide the window of opportunity for doing precisely that," said Sundram Pushpanathan, ASEAN's head of external relations.

He played down suggestions that ASEAN was trying to extract more gains from Japan by using the China card, saying: "We are not playing any games here."

"While ASEAN wants to enhance relations with China, it is also working to enhance relations with key partners, like Japan, the European Union and the United States. It is a win-win situation for all sides."

Chinese vice foreign minister Wang Yi said Beijing was stepping up relations with Southeast Asia because it trusted ASEAN. "We are always supportive of ASEAN," he said.

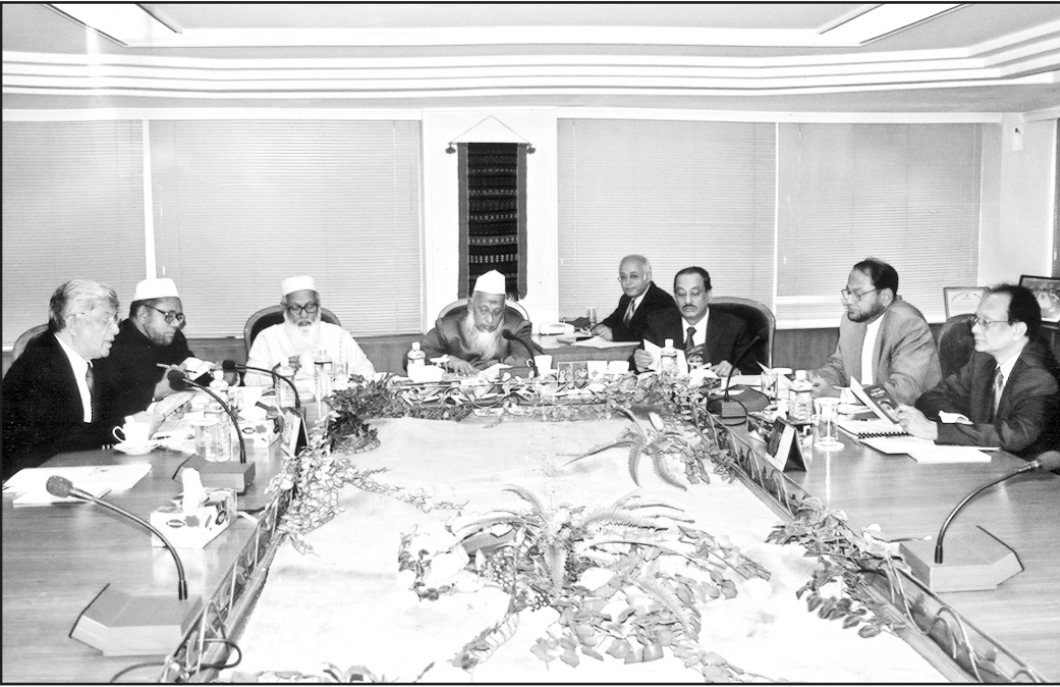


PHOTO: SOUTHEAST BANK

Chairman of Southeast Bank Shariah Council Aminul Islam, Vice-chairman Mohammad Salah-Uddin and other members pose for a photograph at a meeting of the council held in Dhaka recently.

Debate on exchange rates Murky world of forex takes centre stage

AFP, London

Foreign exchange markets are usually the concern only of traders, companies and those about to go on holiday, but analysts say that with the dollar's recent swift falls, they could now prove the catalyst -- or the undoing -- of a global economic recovery.

The sometimes arcane world of currency baskets and trade-weighted indexes moved from the business pages to the front pages a fortnight ago following a meeting of the Group of Seven rich nations' club in Dubai.

There, G7 finance ministers and central bankers issued a statement calling for "more flexibility in exchange rates", based on market mechanisms.

Experts agreed unanimously that this was a clear call to Asian nations, principally Japan and China, to free up their currencies rather than keeping them artificially low.

A weak currency usually helps a

country's economy as, among other effects, it makes foreign exports more affordable for nations purchasing with their own money.

The issue was already an increasingly hot one even before the G7 meeting, with US companies complaining that a weak Chinese yuan -- which is pegged to the dollar at a fixed rate -- was costing thousands of American jobs.

When foreign exchange markets re-opened on the Monday following the G7 communique, the dollar plunged against both the yen and the euro and has remained under pressure ever since.

Comparisons have been made with the so-called Plaza accord, a deal reached in September 1985 by the world's five leading industrialised nations at the time and named after the Plaza Hotel in New York where they met.

This agreed a controlled weakening of the then-overvalued dollar to help the US economy, and had a huge long-term impact, helping US

companies to prosper, although often at the expense of those in Japan and Germany.

The G7 communique is a different proposition, experts stress.

"The key point about the Plaza accord is that there was a specific commitment to weaken the dollar, with action to follow," said Julian Jessops, an economist with bank Standard Chartered.

"There was no such specific commitment (at the G7 meeting), and nobody is going to take active measures to weaken the dollar. They are going to leave it to the market. That's the fundamental difference."

Nonetheless, with Japanese authorities having intervened only slightly to rein in the yen since the meeting, the impact of the G7 statement appeared both planned and fundamental, said Commerzbank analyst Nick Parsons.

"I think the actions of central banks already are consistent with that," he argued.

India's annual inflation rises to 4.72pc

REUTERS, New Delhi

Higher wholesale prices of fruit, vegetables and pulses pushed India's annual inflation higher during the week ended September 20, data released by the Commerce and Industry Ministry showed yesterday.

Wholesale price inflation rose for the fourth consecutive week to 4.72 per cent in the week ended September 20 from 4.35 per cent in the previous week and 3.34 per cent in the same period last year.

The rate also exceeded 4.6 per cent estimated in a Reuters poll of 11 banks and research houses.

Analysts expect wholesale prices to remain firm despite an expected fall in food prices after a bumper harvest in November as a rise in rural demand for manufactured goods will push inflation above five per cent.

"In the final January-March quarter, there should be some unwinding in food prices but there will be a rise in manufacturing inflation due to the demand after the harvest," said Sanjeev Singh, analyst with IICI Securities.

India's annual monsoon rains were the heaviest in the past five years, prompting analysts to forecast that Asia's third-largest economy will grow by more than 6.0 per cent, with the farm sector acting as the traditional powerhouse.

The farm sector accounts for a quarter of India's gross domestic product. Nearly 700 million Indians earn their income from agriculture and strong output means higher purchasing power for more than two-thirds of the population.

India expects winter grain output to rise 20 per cent to 108.45 million tonnes, up from 90.48 million tonnes a year ago.

Tourism in Lebanon booming

AFP, Beirut

Lebanon has scored another booming tourism summer season despite the negative effects of the Iraq war, with a 4.1 per cent hike in foreign visitors in the first eight months of the year compared with 2002.

"Tourism is a sector growing every year, and this year it was booming despite the negative effects of the war in Iraq on the region as a whole," a tourism ministry official told AFP.

"There was a certain downturn in March, April and May because of the war in Iraq, but we made it up with very good figures in June, July and August," said the official, who did not wish to be identified.

Economy Minister Marwan Hamadeh told AFP that the heavy influx of Arab visitors was mainly due to perceived anti-Arab sentiment elsewhere since the September 11, 2001, terror attacks and the appreciation of the euro currency, which made traditional European destinations expensive.

Lebanon, which suffers from an acute economic crisis and a spiralling debt of about 32 billion dollars, has been struggling to boost tourism revenues since the 15-year civil war ended in 1990 after destroying both the country's infrastructure and its image of freewheeling stability.

Arrivals in Lebanon have witnessed a constant increase in the last few years, with a total of 956,464 visitors in 2002, compared with 837,072 in 2001, 741,648 in 2000 and 673,261 in 1999.

Cathay Pacific to enhance winter flight schedule

AFP, Hong Kong

Hong Kong's flagship carrier Cathay Pacific said Sunday it will enhance its winter flight schedule to a number of destinations starting this month in anticipation of strong passenger demand after the SARS crisis.

The airline said it would add two flights to its Auckland and Melbourne routes, lifting the number of weekly flights to 13 and 12, while one additional flight would be added to its Rome service taking the total number to five.

Starting December, Cathay will also operate one more flight to Johannesburg taking it to six flights a week.

Cathay fully restored services to pre-SARS levels at the end of September, three months after the territory was removed from the World Health Organization blacklist of infected SARS areas on June 23.

Cathay Director and Chief Operating Officer, Philip Chen, said following the Severe Acute Respiratory Syndrome (SARS) outbreak, the airline had worked hard to maintain its network and then reinstate suspended flights starting July.

"Now we are continuing to strengthen Hong Kong's position as the regions' leading hub by adding flights to key destinations," said Chen.

Asia makes progress in cutting poverty : WB

AFP, Singapore

Rapid economic progress in the past two decades has led to a huge reduction in poverty in Asia but there remains a lot more that governments can do to help the poor, a senior World Bank official said.

"In East Asia, the situation of the poor has been improving quite dramatically for a long time," Shantayanan Devarajan, director of development economics at the World Bank, told AFP in a recent interview.

"There was a setback in the late 1990s with the crisis but it seems like even that has now more or less returned to the original path of rapid poverty reduction in places like Indonesia, Thailand and so on," he said, referring to the 1997-1998 financial crisis that wreaked havoc on the region's economies.

"So both on income poverty and other dimensions of poverty like education and health, the situation has been improving quite substantially... I would say Asia is not doing too badly at all."

Poverty in East Asia declined most rapidly in the 1990s with China an exceptional success, experiencing a decade in which the world's most populated country made the transition from a backward Asian nation into a global economic powerhouse.

"China is actually distinguished as the country that has managed to

pull the largest number of people out of poverty," Devarajan said, putting the figure at close to 200 million but giving no details on when the feat was achieved.

Figures from the Washington-based lender showed the number of people living on less than one US dollar a day in East Asia and the Pacific fell from 452.4 million in 1990 to 267.1 million in 1998.

In contrast, the number of people living on less than one dollar daily in the sub-Saharan Africa region rose from 242.3 million to 301.6 million during the same period, the World Bank website said.

A key factor in Asia's success in poverty reduction lies in the governments' emphasis on economic development and opening the doors for employment opportunities, Devarajan said.

"I think the governments are doing the right thing because what we found out from the experience is that the best thing for reducing poverty is rapid economic growth," he said.

"And that's what these countries are focusing on and that's what they have managed to achieve."

But economic growth by itself is not sufficient to address long-standing problems related to poverty in areas such as education or improving health care access for the poor, Devarajan said.

This is where the state can step up its efforts to remedy the situation,

he said.

"Now there are other issues that growth by itself, while it is absolutely essential, may not be enough," Devarajan said.

"For instance, to reduce child mortality... and I think that is where I would like to see the governments do a little bit extra while maintaining the focus on growth."

Also, problems at the so-called next level are already emerging in countries such as Thailand and the Philippines, where the economies have made strong recoveries from the 1997-1998 crisis.

"In areas where we think the problem at least at the basic level has been achieved of primary education and primary health, you are beginning to see problems at the next level," Devarajan said.

"So for instance, in Thailand, there is a problem with secondary education or in the Philippines," he said.

Even in China, the progress achieved in poverty reduction is not as widespread in rural areas, Devarajan said.

"For instance, there are parts of China that have very high poverty and in particular in rural China," he said.

"It's really quite disturbing when you look at the child and infant mortality rates in urban China and rural China, they are falling quite rapidly in urban China but not falling rapidly in rural China."