

Three major powers at Davos forum opine

Global economy needs quick surgery

DAVOS, Switzerland, Jan 29: Leading finance officials from Europe, Japan and the United States said Friday the global economy needs quick surgery, but they expressed cautious optimism for this year, reports AP.

There was agreement that all three major economic powers must work together to steer the world economy away from crisis, but less unity on what moves are needed.

The world economy cannot fly very long on one engine, and to fly in a healthy way it needs three engines," US Deputy Treasury Secretary Lawrence Summers told a gathering of business leaders and politicians.

US Vice President Al Gore

was to address the forum later Friday and also was expected to focus on the global economy.

British Chancellor Gordon Brown called for the creation before this summer of a "global standing committee" of international and national regulators to oversee the world's financial system.

"I look forward to these reforms making 1999 a year of implementation where 1998 was a year of analysis of what had happened," Brown said.

Eisuke Sakakibara, Japan's vice minister of finance, predicted Japan's economy will bottom out by the middle of this year. "Financial panic... is about to be over," he claimed.

However, "the complacency of the market is, I think, un-

warranted, because the basic causes of the market crisis haven't been eliminated," said Sakakibara, who is known as "Mr. Yen" for his influence in foreign exchange markets.

Given lost confidence in Japan since its economic troubles started in late 1997, "it will take some time for the real economy to bounce back," he said.

Summers, whose remarks are closely watched by market insiders because of their bearing on the value of the dollar, expressed skepticism over a Japanese rebound this year.

"I think we need to wait before we declare victory" in Japan, he said. That depends on how changes to Japan's regulatory and tax systems are carried

through, he added.

He also opposed calls by Japan and several European countries for closer Group of Seven coordination to try to limit currency fluctuations.

In the last year's crises, "the precipitating factor had much more to do with domestic capital flight than it did with the behaviour of external speculators," Summers said.

He stressed the importance of countries carrying out their own economic management.

One official advocating a move against currency fluctuations was French Finance Minister Dominique Strauss-Kahn.

"We need a new way to cooperate to avoid volatility" stem-

ming from the creation this month of the euro, he said.

Strauss-Kahn added that some decision on reform of the global economic system when G-7 finance ministers meet next month is important for growth this year.

Summers saw US growth continuing. He added that with a budget surplus, low unemployment and low inflation, "the US economy is well-positioned to respond to any shocks to come."

Germany's deputy finance minister, Heimer Flassbeck, said stimulating domestic demand in Europe was a priority in the face of the economic slowdown.

Japan's car output falls to 50-yr low

TOKYO, Jan 29: Japan's auto production took its steepest fall in half a century last year, hit by the recession in the world's second largest economy, prompting warnings today that car makers must cut output further to survive, says AFP.

Auto production came to just 10,049,792 units an 8.4 per cent drop from the previous year, the Japan Automobile Manufacturers Association said.

The figures come as car makers across the world forge mergers and alliances to overcome a huge capacity surplus. Sweden's Volvo AB said today it has sold its car operations to US auto giant Ford Motor Co.

Japan's fall in output was the steepest annual drop since 1947, and means auto production has fallen by a quarter just this decade.

closed down. I mean closures in the near future," said Kenji Tanaka, analyst at Okasan Research Institute.

Car makers would likely increase overseas production and cut back facilities at home, he said.

Until now closures in Japan have been limited. Nissan Motor Co. Ltd. closed a plant in Kanagawa, southwest of Tokyo, in 1995, the firm has now said it is looking for an alliance with foreign manufacturers and is in talks with DaimlerChrysler AG.

Last month Toyota Motor Corp., the number one Japanese car maker, said it would close its first ever plant in the face of poor car sales.

"In Japan we are slightly above the water, shall I say, we are making a slight profit, the firm's President Hiroshi Okuda told AFP at the time.

Analysts warned the car makers could not be on a recovery in Japan for some time and must look for overseas growth to support their operations. Their problems could multiply, however, if the world economy slows.

"There is no hope of a steep recovery in the Japanese economy at this point. Demand will continue to remain very weak, Merrill's Nakanishi said.

"But there is a deflationary pressure on the global economy and a slowdown is expected," he warned.

Production of motorcycles turned down 1.5 per cent last year with output in December plunging 10.8 per cent.

Among the nation's 11 automakers, only Daihatsu Motor Co. Ltd., specialising in small cars, managed to avoid a production drop by scoring slight growth of 0.6 per cent.

Production sank 9.6 per cent for the giant Toyota.

Nissan, Mitsubishi Motors Corp, Mazda Motor Corp, Isuzu Motors Ltd, Honda Motor Co Ltd, Suzuki Motor Corp, and Fuji Heavy Industries Ltd, suffered drops between 0.7 per cent and 13.8 per cent.

Truck makers Hino Motors Ltd and Nissan Diesel Motor Co. faced sharper drops of 40.1 per cent and 40.7 per cent, respectively.

Thai foreign trade falls sharply

BANGKOK, Jan 29: Thailand's exports and imports both fell sharply in 1998, reflecting the country's continued struggle against its economic crisis, according to central bank figures released today, reports AP.

Exports for the year fell 6.9 per cent to 52.8 billion dollars compared to 56.7 billion dollars the year before, the figures released by the Bank of Thailand (BOT) showed.

The result reflects stiff competition from neighbouring countries which saw their currencies tumble in the aftermath of the Asian financial crisis, analysts said.

For the same period imports plunged 33.5 per cent to 40.8 billion dollars in the face of stagnant demand as Thailand's battle for economic recovery grinds on.

Exports and imports ended a year of reverses on another downward note. Year on year exports for December fell 9.4 per cent at 4.5 billion dollars compared with 4.47 billion in November.

December imports reached 3.48 billion dollars, down 11.6 per cent on the same period last year compared to 3.35 billion dollars in November, according to the figures.

The trade surplus in December fell to 1,019 billion dollars from 1,112 billion the previous month for a total trade surplus for 1998 of 12 billion dollars.

Manufacturing output in December was down 1.8 per cent compared to the same month last year after a 3.1 per cent fall in November, the BOT said.

Inflation as measured by the consumer price index was up 4.3 per cent year on year after a rise of 4.7 per cent in November, the central bank said.

China-Taiwan trade rises by 3.3 pc

SHANGHAI, Jan 29: Indirect trade between China and Taiwan rose 3.3 per cent to hit a record 20.5 billion US dollars in 1998, the official China Securities News reported today, citing trade ministry figures, says AP.

The brief report provided no other details.

The two-day way trade was 19.84 billion dollars the previous year, Assistant Trade Minister An Ming said earlier this month, lauding expansion from just 77 million dollars in 1978.

But statistics from another Beijing government body, the Chinese people's consultative conference, has indicated 1997 indirect trade volume was as high as 24.5 billion dollars.

Concrete figures are difficult to pin down, as all goods moving between the two sides must be trans-shipped through intermediaries such as Hong Kong and Japan.

Businesses from the island have nonetheless set up more than 41,115 approved projects on the mainland totalling 21.1 billion dollars in investment, An said.

Beijing regards Taiwan as a renegade province.

The two sides have been ruled separately since the end of a civil war in 1949, when defeated Kuomintang forces fled to the island to set up a non-communist enclave.



President and Chief Executive Officer of Daimler Chrysler Aerospace AG (DASA), Manfred Bischoff, poses for the media in front of an Airbus model prior to the annual press conference of DASA in Munich, Thursday. DASA topped the previous year's figure of 432 million German marks (\$246 million) and reached in 1998, 592 million German marks (\$343 million). — UNB/AP photo

S Africa seeks German help in settling trade deal with EU

BADEN-BADEN, Germany, Jan 29: South African President Nelson Mandela on Thursday asked German Chancellor Gerhard Schroeder for his support in settling a free trade agreement between his country and the European Union, reports AP.

The two men met for an hour prior to ceremonies in which Mandela was awarded the annual German Media Award, for his outstanding contributions to public life.

Schroeder's spokesman Uwe-karsten Heye said after their meeting that the chancellor hoped that the trade agreement could be finalized before his six-month term as EU president expires at the end of June.

Problems with the trade agreement still exist because of differences with Portugal and Spain over imports of port and sherry wines respectively produced by those two countries, which is about twice as expensive as that from South Africa.

Thus far South Africa has declined to back down on the issue of using the port and sherry trade names, claiming they have been produced there more than 100 years.

In addition, South Africa argues its limited production capacity already prevents threatening European producers.

At the Media award ceremony, Daimler-Chrysler Chairman Juergen Schrepp praised the 80-year-old Mandela as the personality that "not only change South Africa, but the whole world," with his actions.

"He changed South Africa not with weapons, but with words," Schrepp said of the Mandela, co-winner of the Nobel Peace Prize in 1993 with Frederik W de Klerk, for their efforts to end apartheid.

Mandela survived more than 27 years in prison as a black African leader before his release in 1990. He was elected president four years later.

Schrepp spent a total of 12 years working in South Africa as a manager of the Mercedes-Benz subsidiary there, returning to Europe in 1987.

The black-tail evening ceremony also had Mandela awarding South Africa's "Order of Good Hope," it's the nation's highest award to foreigners and past recipients include Queen Elizabeth II of Britain.

US warns against widening trade gap Beijing makes no offer on policy changes

BEIJING, Jan 29: Following a three-day meeting of top trade officials, a spokesman for China's trade ministry offered no hint Friday of a new offer on liberalising the country's trade regime, and few new options for weathering the Asian economic crisis, says AP.

With Premier Zhu Rongji expected to visit the United States in April and trade officials in Washington warning of more trouble if the trade deficit with China continues to grow, there has been speculation of a possible fresh offer by Beijing on trade.

Asked if a new proposal might be in the offing, trade ministry spokesman

Huchusheng repeated China's position that as a developing nation, it should not be pushed to lift tariffs and other trade barriers any faster.

"We hope the foreign counterparts will take into account China's status as a developing country and not raise any unreasonable demands or requests," Hu told reporters at a news conference.

"The Chinese government's stance is known to all and our enthusiasm has not declined. We will continue to carry out our pledges, Hu said.

China began 13 years ago to try to gain entrance in the predecessor to what is now known as the World Trade Organisa-

tion, the international watchdog on fair trade. The United States and other WTO members have urged Beijing to move faster in cutting tariffs and opening markets, particularly in finance and services, to foreign competition.

Last week, US Trade Representative Charlene Barshefsky warned that with the trade deficit with China averaging more than \$1 billion a week — \$52.9 billion in the first 11 months of 1998, a 15.5 per cent increase over the same period of 1997 — trade friction was likely to grow.

If anything, with most of Asia mired in recession and its own market-oriented reforms slowing due to fears of social unrest, China appears unlikely to take any major initiatives on trade.

Facing declining demand for its exports in neighbouring Asian markets, Beijing says it hopes to continue to sell more of its products in North America, Europe, Latin America and Africa.

The trade ministry officials did not offer specific targets for trade in 1999, saying only that China hoped to achieve "a certain degree of increase" and a "basic balance between imports and exports."

The officials noted that China had taken some incremental steps, increasing the number of firms allowed to engage directly in foreign trade, loosening licensing requirements, raising export tax rebates and expanding the number of areas where trading joint ventures will be allowed.

Most of the measures announced following the three-day meeting on trade and economic cooperation appear intended to encourage foreign investment in certain sectors, such as high-tech, trade, civil aviation and engineering, rather than to open markets to more foreign competition.

Tourist arrivals down 13pc in Singapore

SINGAPORE, Jan 29: After a 13.3 per cent drop in visitor arrivals last year, Singapore is looking to "millennium mania" to boost tourism, the Tourism Board Chief said Friday, reports AP.

The Southeast Asian financial and transit hub city of 3.1 million people registered 6.24 million visitor arrivals last year, the board's chief executive, Yeo Khee Leng, told a news conference during an Association of Southeast Asian Nations "Tourism Forum."

The arrivals are down from 7.2 million in 1997 and the second consecutive yearly drop, after at least seven years of solid growth.

"It's better than we expected, but there's no consolation in that," Yeo said.

About half-way through last year, he said, with several neighbouring countries in political and financial turmoil, Yeo said the Tourism Board had feared the decline would be 15 to 20 per cent.

Acknowledging the importance of business and tourism travelers to the tiny metropolis, Yeo said, "Most places where you lose (customers) at these numbers, your budgets get cut... but we have the support of our bosses."

Yeo predicted 1 to 3 per cent growth in arrivals in 1999.

In unusual optimism based on half a month's figures, he said, arrivals for January were already up 5 per cent over the same period last year, "and the second half is usually better than the first."

Brazilian markets see nervousness subsiding

RIO DE JANEIRO, Jan 29: The Brazilian currency continued its downward slide Thursday, but traders saw signs that the decline could be bottoming out, says AP.

A reduced dollar outflow and another government victory in reducing the budget deficit raised hopes Latin America's largest economy may be calming down.

The Sao Paulo Stock Exchange, Latin America's largest, closed up 3.9 per cent and the real closed at 1.95 to the dollar slightly weaker than its 1.90 close Wednesday.

Dollar outflows slowed to \$287 million Wednesday, down from \$339 million a day earlier and traders said it the reduced flows seemed to indicate a trend that dollar flight was slowing.

To contain the outflow, the Central Bank on Thursday raised interest rates to 35.5 per cent, from 34 per cent on Wednesday.

The Central Banks foreign

affairs director, Demosthenes Madureira de Pinho Neto, said the monetary authority had no plans to intervene and reaffirmed that real will continue to float freely.

Pinho Neto said the dollar outflows, which have reached over \$8.2 billion, did not represent a loss of foreign reserves.

The two are not the same and the impression sometimes created is that the recent outflows are in fact from the country's reserves," he said. That's not the case, and reserves are absolutely steady.

Pinho Neto didn't say where the reserves stood, but earlier this week Central Banker head Francisco Lopes said Brazil's reserves amounted to \$36 billion, including \$9 billion from a \$41.5 billion aid package from foreign lenders.

Meanwhile, the government is racing to reduce a budget deficit that has alarmed foreign investors.

President Suharto in May 1988. But an economist said the passing of new political laws by Indonesian MPs had little to do with the rupiah's rise.

Markets remained cautious on Indonesia and the passing of the laws is just the first step in a series of reforms that are needed, said Sani Hamid, regional economist at research firm Standard and Poor's MMS here.

Indonesia would be able to maintain exchange rate stability if the government were able to maintain a tight monetary policy, said Kate O'Donoghue, economist at Barclays Capital in Singapore.

"However in reality it would be very difficult for the government to avoid monetary expansion and (rupiah) stability will be a short-lived phenomenon," she said in a report.

The report cited potential pressure on the balance of payments once the last tranche of aid from the International Monetary Fund is received.

Asian currencies mixed

SINGAPORE, Jan 29: The Indonesian rupiah briefly rose to 8,000 levels against the dollar today as investors unwound long positions on the greenback but fell later amid a mixed performance by Asian currencies, dealers said, reports AP.

The rupiah rose to a high of 8,820 before pulling back to 9,025 to the US dollar, but was still higher than its close here the day before of 9,210.

"The selling (of the dollar) is coming from Jakarta banks that were long on the dollar earlier this week," said a dealer with a European bank here.

In Jakarta, Bank Indonesia Governor Syharih Sabirin said there was no intervention from the bank Friday.

He said the rupiah's recovery was triggered by three factors — fading fears of a yuan devaluation, implementation of banking recapitalisation and parliament's approval of political bills.

The bills cleared the way for polls in June, the first general election since the fall of former

Prime Bank Board Chairman Nurul Haque Sikder (C) speaks at the bank's branch managers' conference held at a city hotel. Managing Director Kazi Abdul Mazid (4th-L) is also seen.

Prime Bank branch managers' confce ends

The two-day conference of branch managers of Prime Bank Limited ended at a city hotel yesterday.

It was inaugurated by the Chairman of the Board of Directors of the bank, Eng Nurul Haque Sikder.

Kazi Abdul Mazid, Managing Director, presided over the function.

In his inaugural speech, the Chairman emphasised on total commitment of the managers and officers so that Prime Bank can become the best and most profitable bank of the country.

The Managing Director, congratulated the branch managers and employees at all levels for their outstanding performance to generate an operating profit of Tk 22.12 crore for the year 1998.

PRIME BANK LIMITED
ANNUAL MANAGERS' CONFERENCE
JANUARY 28-29, 1999
VENUE: HOTEL PURBANI INTERNATIONAL, DHAKA

Mitsubishi, Sumitomo firms agree on pension tie-up

TOKYO, Jan 29: Nine companies from Japan's two major banking conglomerates will form an alliance in the pension business, the latest move in a reorganisation of the country's financial industry, a Japanese news report said Friday, reports AP.

Four companies from the Mitsubishi group and five from the Sumitomo group will reach a basic agreement to jointly manage and operate 401k-type pension plans, national broadcaster NHK reported.

Bank of Tokyo-Mitsubishi Ltd and Sumitomo Bank Ltd form the core banks of the two groups.

The Sumitomo group said in a statement Friday that the companies are exploring a possible alliance in the pension business, but denied a deal had been reached.

Developing the infrastructure to manage pension programmes, such as 401k plans, will require a huge investment. The new pension plans are expected to be introduced in Japan as early as next year, NHK said.

The agreement marks the first time companies from former "zaibatsu," or pre-war financial conglomerates, will form a business tie-up beyond their group borders, the report said.

Asian stocks end week mixed

HONG KONG, Jan 29: Asian stock markets ended the week generally mixed Friday, with share prices rising in Tokyo and Hong Kong, but falling in Manila and Taipei, says AP.

Tokyo's benchmark 225-stock Nikkei Average rose 156.93 points, or 1.09 per cent, to finish the day at 14,499.25 points. On Thursday the average closed down 107.74 points, or 0.75 per cent.

Shares prices rose as a weaker yen and an overnight rise on Wall Street boosted shares in blue-chip exporters.

Share prices in Hong Kong rebounded on the back of an overnight rally on Wall Street.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 145.94 points, or 1.6 per cent, closing at 9,506.90. On Thursday, the

index had tumbled 358.70 points, or 3.7 per cent.

Philippine shares closed lower on disappointing economic data that showed a 0.1 per cent expansion in the country's gross national product, much lower than the 0.8 per cent the government was projecting and a far cry from the 5.8 per cent GNP growth rate posted by the country in 1997.

The 30-company Philippine Stock Exchange Index closed 44.66 points, or 2.2 per cent, at 1,954.15.

In Taipei, share prices closed lower on continued concerns over Taiwan's economy. The market's key Weighted Stock Price Index fell 79.41 points, or 1.30 per cent, to 5,984.00 its lowest close since July 16, 1996.

Elsewhere:
SEOUL: Share prices closed

mixed. The Korea Composite Stock Price Index slipped 0.04 point to 571.43.

SINGAPORE: Share prices closed mixed in lackluster trading. The key Straits Times Index rose 2.12 points, or 0.1 per cent, to 1,428.14.

KUALA LUMPUR: Malaysian share prices closed lower as investors stay away due the absence of fresh leads and ahead of a long weekend. The Composite Index, which tracks 100 key stocks, fell 4.02 points, or 0.6 per cent, to 591.43.

JAKARTA: Indonesian share prices closed higher in moderate trading.

BANGKOK: Thai share prices closed mostly lower. The Stock Exchange of Thailand (SET) index fell 3.16 points, or 0.8 per cent, to 363.00.

Banana trade dispute EU urges WTO to rule on section 301 of US trade act

BRUSSELS, Jan 29: The European Union has called for a World Trade Organisation (WTO) dispute settlement panel to rule on section 301 of the US trade act, a spokesman for EU Trade Commissioner Leon Brittan said yesterday, reports AP.

"We are currently following the procedure for the setting up of the panel, which we expect very soon in Geneva. Consultations on the issue were a failure on December 17, and now we want to pass to the next stage," the spokesman said.

The EU considers section

301 to be incompatible with WTO regulations, as it permits unilateral sanctions or the threat of sanctions aiming at forcing another country to change its commercial practices.

EU and US trade representatives are currently engaged in talks at the WTO on resolving a dispute over banana imports into Europe which threatens to turn into a transatlantic trade war.

Washington is threatening unilateral sanctions if the import regime is not changed, but Brussels argues that the WTO

has not rules that changes made to the regime do not comply to trade rules and accuses the United States of bully tactics.

"The EU cannot agree to suffering sanctions in the EU, when we have not been found guilty of anything or without any judgement by the appropriate body," the commission spokesman said.

WTO General Secretary Renato Ruggiero is still involved in the negotiations, despite a rejection by the EU of a proposal, initially acceptable but then amended under US pressure, he said.

Japanese firms to extend \$500m new loans to Iran

TOKYO, Jan 29: A group of Japanese companies has agreed to extend \$500 million in new loans to Iran to help that Middle East nation reschedule debts already owed to Japan, a major Japanese newspaper said Wednesday, reports AP.

At the same time, the Japanese government will provide trade insurance to guarantee the risks involved in the fresh loans, the Mainichi newspaper said.

An official of Japan's trade ministry, speaking on condition of anonymity, said he understood that negotiations among concerned companies are still going on.

The newspaper said the Japanese side will loan a total of \$500 million between April and June, with the Iranian government paying back the sum in a 21-month period starting in April 2000, the newspaper said.