

China, EU closer on WTO membership: trade official

BEIJING, April 29: Differences between China and the European Union (EU) on Beijing's accession to the WTO are "narrowing", a Chinese trade official said Thursday on the fourth day of talks between the two sides, reports AFP.

The trend is positive, the gaps between both sides is narrowing, the official told AFP. Thursday's talks between the Chinese team led by chief negotiator Long Yongtu and a EU delegation headed by Gerard Depayre, deputy director-general of the European Commission, centred on service trade, and tariffs on industrial and farm products Thursday, he said.

The EU's demands were largely similar to those made by the United States, but targeted specific EU interests in some sectors, he said. He declined to elaborate on the scope of tariff cuts or the types of products or services targeted. Among the concessions the EU is reportedly seeking are tariff cuts, an end to quotas and non-tariff barriers by January 2005, and the opening of the telecoms, banking, insurance and securities sectors to foreign participants.

Meanwhile, talks between the US and China will resume in mid-May, very likely in Beijing, US Trade Representative Charlene Barshefsky said in Washington Wednesday. China and the United States have locked horns on market opening measures in the fields of financial, insurance, audiovisual and telecommunications sectors, as well as the extension of textile quotas on Beijing post-WTO entry.

Asian units end mixed against US dollar

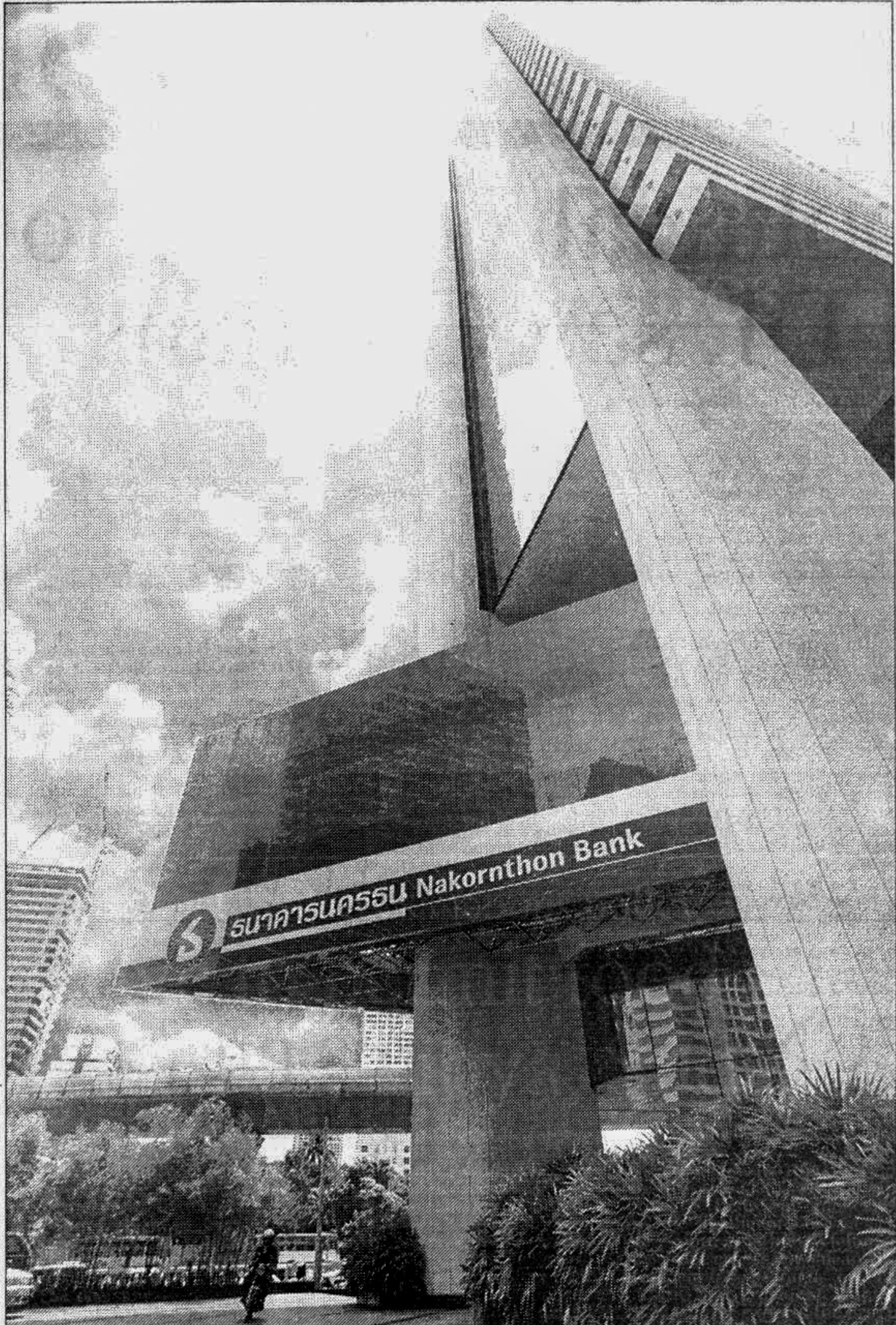
SINGAPORE, Apr 29: Asian currencies ended mixed against the US dollar today, as a correction in regional stock markets dragged down some units slightly, dealers said, reports AFP. They added there was little action due to the closure of markets in Tokyo for a holiday. Trade in Singapore on the Japanese yen was quiet, although there was some squaring of long-dollar position. The yen closed at 118.93, up from its close here the day before of 119.20, and 119.05 in New York overnight. The Singapore dollar, firmer in earlier trade, ended at 1.6995, down from its close the day before of 1.6985, while the Taiwan dollar fell to close at 32.689 from 32.681. The Philippine peso was barely changed at 38.02 from 38.03. Currencies that ended higher against the dollar from their closes the day before were the Indonesian rupiah at 8,450 from 8,550, the Thai baht at 37.45 from 37.50, and the South Korean won at 1,176.50 from 1,180. The recent weakness of the US dollar against the yen aided the relative appreciation of the rupiah, ANZ Investment Bank said, although it expected the unit to fall to 9,000-levels by mid-May as concerns over the June elections in Indonesia surface.

Japanese PM visits US to prop up trade ties

LOS ANGELES, Apr 29: Japan's prime minister visits the United States this week for a six-day visit to strengthen ties frayed by a growing US trade deficit and the economic crisis in Asia, reports AP. Keizo Obuchi was scheduled to arrive Thursday in Los Angeles before heading to Washington for a meeting Monday with President Bill Clinton. The trip that will end with business begins with events that will bring exposure to a leader little known in the United States. In California, the Prime Minister planned to visit the Queen Mary, the ship that carried Obuchi to the United States as a tourist in 1963, and the Japanese American National Museum. He then visits Chicago, where he planned to toss out the first ball at a Chicago Cubs baseball game. "It's to humanise the image a bit," said Ted Carpenter, an Asia analyst at the Cato Institute in Washington. "To show that there is a friendly, human quality to this political leader. He's not just a stern political figure."

Heading into the summit meeting, Obuchi's hand has been strengthened by recent political victories at home. The lower house of Japan's Parliament this week approved legislation strengthening US-Japanese military cooperation. Last month lawmakers approved Obuchi's record economic stimulus plan designed to lift Japan from its eight-year slump. The United States had pressed for both, analysts said. "I think Japan would like to get us off its back," said Rand Corp. economist Julia F. Lowell. "I think what Mr Obuchi would really like is for the US to say all sorts of good things about how helpful Japan is in the economic situation and the Asian recovery."

The US trade deficit rose to 169 billion dollars last year, including a \$64 billion deficit with Japan. The deficit has become a sore point for the Clinton administration. In discussions this week with world finance ministers who guide the International Monetary Fund, US Treasury Secretary Robert Rubin noted that Japan's trade surplus has increased while the US deficit has soared. He urged both Japan and Europe to stimulate domestic consumption. Public acknowledgment by Clinton of Japan's efforts to repair its economy and help its economically distressed neighbours in Asia would bolster Obuchi's political standing at home, Lowell said. "I think what Mr. Obuchi would really like is for the US to say all sorts of good things about how helpful Japan is in the economic situation and the recovery," she said. Japan also wants to reaffirm its place as America's chief ally in Asia. Tokyo feels its role was threatened by President Clinton's visit to China last year, Carpenter said. "There might be some trade agreements that emerge from this, but that is not the purpose of the summit. It is far more to reaffirm the strength of the US-Japanese partnership," he said. "And from Japan's standpoint, to send a message to Beijing that the US-Japanese relationship is still the cornerstone of US policy in Asia."



A motorcycle rider drives past Nakornthon Bank headquarters in Bangkok on Tuesday. An announcement on plans for a strategic partnership, proposed by UK's Standard Charter Bank and Singapore's United Overseas Bank, is expected later today, as Nakornthon Bank - like many Thai banks - is burdened by huge non-performing loans, the legacy of the country's severe financial crisis. — AFP photo

Asia business briefs

Asia may face farm crisis

MANILA: Asia could face an agricultural crisis as several decades of gains are wiped out by growing populations, environmental destruction and complacency among officials, the Asian Development Bank said Thursday. After rising for many years, growth in agricultural yields is now declining in the region despite the need to feed expanding populations, the Manila-based development bank said in its first comprehensive study of rural Asia in two decades. Modern agricultural techniques, including new strains of seeds, helped Asian food production more than double since the 1960s, reducing overall poverty dramatically. But many poorer regions and disadvantaged groups did not benefit, resulting in growing inequalities, the ADB said. Asia continues to be home to a majority of the world's poor, with more than 670 million rural people — one third of its rural population — still living in abject poverty, it said.

Thai power workers walk off job

BANGKOK: Workers at Thailand's electric authority have threatened to walk off the job and black out parts of the country if the government sells off the state-run business, the Nation newspaper reported Thursday. The threat comes amid several days of protests by workers for the Electricity Generating Authority of Thailand, who say that government plans to privatise state-run businesses endanger their jobs. Several opinion polls conducted by local newspapers and universities have found the workers have little support from the public. Protest leaders, however, say they will organize larger demonstrations if the government does not back down. Nearly 5,000 workers have been demonstrating in Bangkok this week to protest the government's plan to sell a power plant in Ratchaburi province. The workers accuse the government of giving in to foreign-ers and the privatisation programme of the International Monetary Fund.

VAT refund for tourists

BANGKOK: Hoping to promote Thailand as a shopping mecca on a par with Hong Kong, the Tourism Authority announced Thursday that foreign visitors can now get a tax refund on goods bought in the country. The refund will apply to Thailand's value added tax, which was recently reduced from 10 to 7 per cent to help spur consumer demand. To get the refund, tourists have to shop at stores displaying logos reading "VAT Refund for Tourists" and spend at least 5,000 baht (\$139). The stores will fill out a form for the shopper, who will present it to customs agents when leaving the country. Buyers can choose to have the refund sent to them as a check or credited to their credit card account.

HK banks write off bad loans

HONG KONG: Hong Kong banks have already written off billions in bad loans to Chinese borrowers, but more problems on the mainland will force them to take more provisions, a senior regulator said Thursday. David Carse, the Hong Kong Monetary Authority's deputy chief executive in charge of banking affairs, said that when many of the territory's banks announced bad loan write-offs on their 1998 earnings, they were not aware of the extent of the problem in China. Since the banks took their hits in February, some Chinese debtors have made it clear that more loans are in trouble, so more provisions will be necessary, Carse said. "It's inevitable," Carse said without offering any potential numbers for the new write-offs or naming any of the banks that will have to take them. The HKMA serves as Hong Kong's de facto central bank.

ROK imports shrink

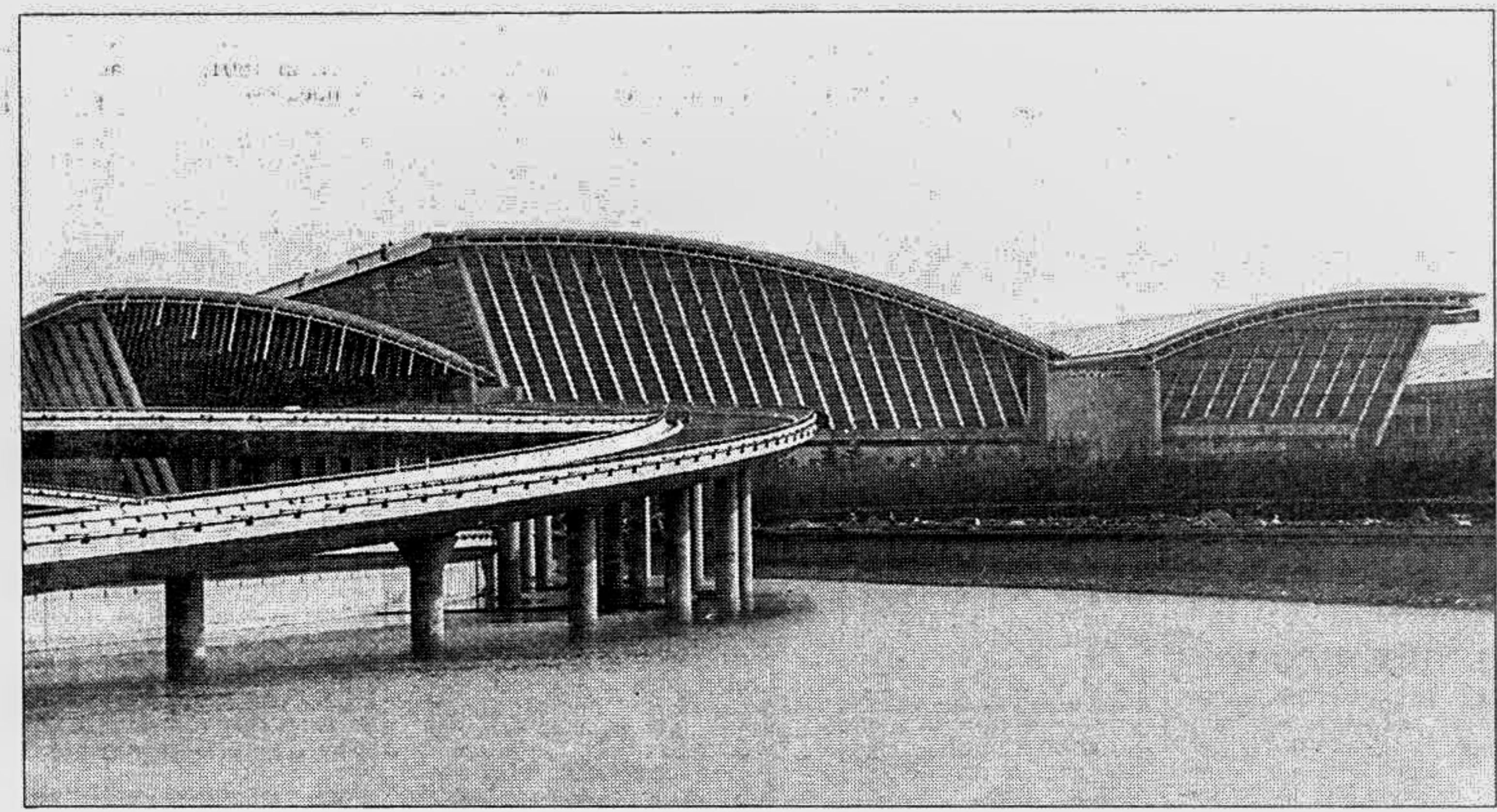
SEOUL: Rising imports shrank South Korea's current account surplus by 28 per cent to \$2.6 billion in March, the Central Bank of Korea said Thursday. Customs-cleared exports fell 2.7 per cent while imports rose 12.2 per cent in March, the bank said. The first-quarter surplus amounted to \$ 6.8 billion. The bank expected this year's total surplus to reach \$ 20 billion, down from last year's \$40 billion. The gross domestic product is expected to grow by at least 2 per cent this year, after contracting a record 5.5 per cent last year. 'ASEAN economies bottoming out' MANILA: The Association of Southeast Asian Nations' crisis-hit economies are all showing signs of hitting bottom, a senior official said Thursday. — Source: AP

Analysts warn of overheating ROK boasts impressive economic figures

SEOUL, April 29: South Korea on Thursday showed off a battery of impressive economic indicators amid warnings that the economy could overheat dangerously as it emerges from crisis, says AFP. In March, industrial output growth hit a four-year high of 18.4 per cent, with the current account surplus swelling to 2.62 billion dollars, government data showed. Factory utilisation ratios rose to 74.6 per cent, the highest since December 1997 when South Korea secured a 57-billion-dollar bailout from the International Monetary Fund to avoid a foreign debt moratorium. Such dramatic improvements in key indicators sparked optimism that the economy is poised on the brink of a full recovery, with some officials forecasting an economic

growth of up to 4.3 percent this year after a five percent contraction in 1998. But analysts warned against over-confidence, saying the government should step up economic reform efforts to improve fundamentals, without being caught up by illusory statistics. The country's economic recovery could be caught by such negative factors as bad loans held by banks and the government's huge fiscal deficit, said Cho Dong-Chul at the state-run Korea Development Institute. Officials revealed Thursday that South Korea's state-run enterprises have been asked to put off much-touted bond issues overseas as analysts warned of a bubble in capital markets. Diplomats said the government was rushing to finish its reform drive and claim it as a success before parliamentary

elections next year. "I think it's clear that the government is losing its grip on the economy to some extent," a western diplomat who refused to be identified said. By moving slowly to tackle the fundamental problems of corporate culture, the government may run "an increasing risk of the failure" in parts of its economic program, he said. The central bank of Korea was concerned over the fast-growing demand for imports, as the first-quarter current account surplus shrank to 6.79 billion dollars from 10.83 billion a year earlier. The margin between imports and exports is narrowing fast," central bank researcher Kim Sung-Hwan said. "Imports are now increasing steadily which is creating concern that the surplus could be



General view of the main terminal building of the new Shanghai Pudong International Airport which is scheduled to open this September. Shanghai will be the only city in China, and one of the few cities in the world, to have two modern international airports in operation. — AFP photo

Fiat sales fall in S America

ROME, Apr 29: The financial slump in South America has hurt Fiat's sales in the region, the company said Thursday, reports AP. The head of the company's auto manufacturing unit, Roberto Testore, said sales of the Palio in South America fell from 650,000 units a year to 420,000. Fiat's objective is to produce "not less than 900,000 Palio a year, a goal possible with the plants under construction in India and Russia, and later on the China," Testore said in a speech. The car has sold over a million Palio since the model was introduced in 1996. About 2.6m children work in Nepal KATHMANDU, Apr 29: About 2.6 million children between the ages of five and 14 work in Nepal despite laws against child labour, a report published today said, reports Reuters. The figure represents 41.7 per cent of all children in this age group, the report published by the International Labour Organisation and the Tribhuvan University in Kathmandu said. Employment of children below 14 years of age in any work is prohibited in Nepal, one of the world's poorest countries. Anyone guilty of employing children can be sentenced between three and 10 years in jail. But poor parents make their children work in farms rather than send them to school.

No bullet-proof shield to financial crisis: experts

MANILA, April 29: There is no bullet-proof shield from future financial crises, but a peer-based monitoring mechanism set up this year could help Southeast Asia withstand any new turmoil, experts said Thursday, reports AFP. Suthad Setboonsang, deputy secretary general of the Association of Southeast Asian Nations (ASEAN), said the financial surveillance process is now taking wing after its formal establishment early this year. The ASEAN surveillance coordinating unit is based at the group's secretariat in Jakarta, with technical support from the regional economic monitoring unit of the Manila-based Asian Development Bank (ADB), he said. These two bodies report to finance and monetary deputies and to the "peer group" of ASEAN finance ministers who meet formally and informally at least five times a year. However, Suthad and other experts said in a seminar on the eve of the ADB annual meeting here that watchdog mechanisms were not infallible. "I don't think anybody can say with any confidence that anything we undertake right now can avert the next crisis," he said. But he stressed that the system can be useful as an early warning device to pinpoint potential problems and nip them in the bud. "If you catch colds, you can't

avoid that. But you better keep yourself strong enough to prevent this from happening." Suparut Kawatkul, director general for fiscal policy of Thailand's finance ministry, said crises are always ready to strike anytime. "But we can immunise ourselves from facing the crisis. If all the countries do the same, that means immunity will be spread ... and that will be the medicine to prevent the crisis." Suthad said the different level of economic development among ASEAN's nine members was expected to slow down the monitoring process. There have also been concern about how much disclosure each member can stomach. ASEAN group's Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, Cambodia is to be admitted as the group's tenth member Friday. Suthad, whose office supervises the surveillance process, said ASEAN members whose economies are in transition from socialism to the free market would have to be integrated into the process gradually. "They come into this capital market with a very, very skinny foundation," he told AFP. While monitoring would include general macro-economic data, Suthad said that the peer-group could not monitor capital

flows and stock market developments in Laos and Myanmar, for example, because these are virtually non-existent. "Everybody will be doing whatever they can. There are many phases, others will come in later," he said. Suthad said ASEAN would "have no choice" but to be transparent on economic data despite its long-standing policy of non-interference in domestic affairs. "Once anybody does not adhere to the rule, somebody would talk to him [and say] why are you doing that," he said. ASEAN, however, has been more open to criticism on the economy than on domestic politics, he said. Former Philippine finance secretary Roberto de Ocampo said that the monitoring system should not just be a "depository of statistics for researchers ... or a police network with no teeth." It should be a "system by which the market should be able to obtain the data better and interact much better with the countries participating in it," he said. De Ocampo also said that data gathered through monitoring should "provide the impetus for continuing reforms ... so that if there is a crisis in the future, at least we will have a better chance of identifying what the crisis is and putting to bear the right policy answers to it."

US shifts sanctions policy Move to permit food sales to Iran, Libya, Sudan

WASHINGTON, Apr 29: The United States, in a major shift, has decided to ease its sanctions policy to permit food and medicine sales to Iran, Libya and Sudan so these items are not used as a "weapon" of foreign policy, government officials said yesterday. The decision — long sought by farm state members of Congress and businesses — would permit case-by-case consideration of food and medicine sales to Iran, Libya and other countries rather than banning them outright, a senior official told Reuters. The easing of sanctions does not apply to the long-standing economic embargo of Cuba, or restrictions on exports to North Korea and Iraq. Energy products are not covered by the easing of sanctions policy, US officials said. All six countries are on the US list of countries accused of sponsoring terrorism. Undersecretary of State Stuart Eizenstat said the decision was the preliminary result of a two-year review of overall US sanctions policy which concluded that allowing food and medicine sales to problem states "doesn't enhance a nation's military capability or ability to support terrorism." In fact, banning such sales can backfire by eroding support for US policies and resulting in lost business for its economi-

cally hard-hit agricultural sector, he told reporters. Eizenstat also insisted the decision was not meant as a gesture to Iran, Libya and Sudan. But analysts say the change could encourage improved ties with at least Iran and Libya. Eizenstat said President Bill Clinton decided on "a change in our sanctions policy which would allow the sale of foods, medicine and medical equipment and therefore exempt them from future unilateral sanctions regimes." "We would also extend this policy to currently embargoed countries," specifically Iran, Libya and Sudan, he said. The change does not allow the sales to proceed outright. Companies still must apply to the US Treasury Department for a licence and these will be granted on a "case-by-case" basis, officials said. But unlike in the past, when such sales were prohibited, the presumption is now that as long as they meet certain criteria, the sales will be approved, officials said. The aim is to "rationalise" the US approach "so food is not used as a weapon" of foreign policy, one official said. US officials said one effect of the change is to permit consideration of the deal under which Niki Trading Co. is seeking a licence to sell 3.55 million tonnes of farm goods to Iran

worth about \$500 million, most of it wheat. Eizenstat said this does not ensure the deal will be approved. "There is an application by Niki for the sale of wheat to Iran... but this policy (change) does not necessarily mean that licence will be granted," he said. But Niki President Richard Bliss said he expects the first in a series of US grain shipments to sail to Tehran within 30 to 60 days after the administration formally eases sanctions. Licences will only be granted for "fully negotiated contracts as opposed to open-ended proposals" and deals must reflect prevailing market prices. Also, deals cannot involve US government financial guarantees, he said. Permitted sales cover wheat, corn, feed, soybeans, edible oils, meat, fish, baby food and formula. No decision has been made on whether fertiliser, pesticides and agricultural equipment can also be sold, he said. Washington would expect to disallow sales only in "extraordinary circumstances", such as to countries involved in an armed conflict with the United States and its allies, when commodities likely would be diverted to the armed forces or when the regime would derive "unjust" benefit, he said.