

WTO leadership row hits launch of key talks

BRUSSELS, May 22: A bitter row over who will be the next chief of the World Trade Organisation is jeopardising the launch of key global trade talks, planned for November in Seattle, Australia warned yesterday, says Reuters.

"What we need is a circuit-breaker to the selection process. It is tearing into the fabric and the dynamic of the WTO. We are now in real-time countdown to being 'Sleepless in Seattle,'" Australia's Deputy Prime Minister Tim Fischer told reporters after talks with European Trade Commissioner Sir Leon Brittan.

The WTO has been leaderless since former director general Renato Ruggiero's four-year

term of office ended in April. The 134 members of the trade watchdog have been unable to choose a successor between rival candidates Michael Moore from New Zealand and Thailand's Supachai Panitchpakdi.

Brittan said the stalemate should be solved as soon as possible but warned against making too strong a link between a new WTO chief and fresh talks dubbed the Millennium Round, expected to be launched at a WTO ministerial meeting in Seattle.

"The issues raised in the context of the Millennium Round are more important than any question of personalities," he said.

"It would be a grave mistake for any kind of linkage to be established between the resolution of that issue and the launch of the Millennium Round in Seattle. It is in nobody's interest that linkage be established," he said.

Fischer said countries needed to keep pushing for the new talks to get off the ground and finish what was started under the previous Uruguay Round, which lasted seven years.

"The momentum is there, but it's not completely there to proceed with that round. The Uruguay Round leaves the world well short of the trade liberalisation pathway," Fischer said.

The world's major trading powers are pushing for a comprehensive round of global trade talks, but some developing countries are lukewarm, saying they have not had time to absorb all the economic changes entailed by the Uruguay Round.

But Brittan said he thought a solution was still possible. Asked if it would not be better to opt for a third compromise candidate, he said: "That moment has not yet arrived."

Taiwan unlikely to achieve growth target: Experts

TAIPEI, May 22: Mountains of bad bank loans, sluggish imports and a glut in manufacturing capacity could prevent Taiwan from reaching government growth forecasts, economists warned Saturday, says AP.

The government on Friday revised its forecast for Taiwan's economy this year to 5.07 per cent from 4.74 per cent.

Strong exports to pull the economy out of a prolonged slowdown, said Wei Duan, head of the directorate general of budget, accounting and statistics.

The revision followed figures showing 4.3 per cent growth in the first quarter, up from the 3.7 per cent forecast earlier.

Taiwan's recovery "has been faster and stronger than expected," Qun Liao, the senior economist for Standard Chartered Bank based in Hong Kong, told the Dow Jones News Wires.

But exports alone may not be enough, economists cautioned. One of the largest drags on

growth are the mounting bad loans on the books of the nation's banks.

Although the government has proposed an overhaul of the banking system, its implementation has come slowly.

The ratio of non-performing loans held by banks to their total loan portfolios reached a record high of 5.17 per cent at the end of April. Economist expect that figure to rise as more corporate troubles unfold.

Delays in investment projects, including a high-speed rail plan and a slowdown in real estate development will stifle investment by manufacturers also do not bode well for the economy, said Kuo Wen-jeng, a research fellow at Chung-Hua institution for Economic Research.

To address the problems of increasing overdue loans, the government has encouraged mergers among some of Taiwan's 47 commercial banks.

The Finance Ministry proposed Friday to order a mandatory handing over of a troubled bank or cooperative to a healthy bank.

Government figures have shown export orders rose 5.5 per cent to US \$10.6 billion in April from the same month last

year, while industrial production rose 6.4 per cent from a year ago.

G7 officials meet to prepare agenda for June summit

BONN, May 22: Finance officials from the Group of Seven industrialised nations met near Bonn yesterday to prepare the agenda for next month's Cologne summit, says Reuters.

The officials — known as "sherpas" — were scheduled to hold informal talks until Sunday to draw up a draft agenda for the June 18-20 summit of the G7 and Russia.

German Chancellor Gerhard Schroeder's chief economic adviser Klaus Gretschmann said after a first session that the talks had focused on efforts to create a new "financial architecture" to help stabilise international markets.

He also said the sherpas discussed initiatives to forgive debts owed by poor countries, the economic situation in Russia and moves to prevent the spread of nuclear weapons.

Government leaders will issue a communiqué at the end of the annual G7 summit, and Gretschmann said work on the text would go on over dinner.

Among key market issues was likely to be debate on how to guard against major instability in world markets to ensure that institutions like computerised hedge funds do not trigger "meltdown" by triggering a vicious circle of massive flows of money in one direction, one source at the talks said.

Suggestions promoted by former German Finance Minister Oskar Lafontaine for a system to regulate exchange rates among key currencies like the dollar, euro and yen are no longer being discussed following the left-wing socialist's abrupt resignation in March and replacement by the more moderate Hans Eichel.

Germany holds the annual presidency of the G7.

Russia's Acting Economy Minister Andrei Shapovalov and First Deputy Finance Minister Mikhail Kasyanov were also due at the talks although Russia's role in the broader Group of Eight is largely restricted to political rather than financial matters.

The Times copies sold at loss to increase circulation

LONDON, May 22: The Times newspaper, owned by US-Australia media magnate Rupert Murdoch, escaped sanctions from British trade officials Friday for a mass discount programme which saw its circulation soar, reports AFP.

The British Office of Fair Trading (OFT) found that the newspaper had been sold at a loss to increase circulation and ordered Murdoch's News International to submit a detailed business statement within 10 days of any future price cuts.

But under the agreement News International was not required to seek prior approval and the OFT declined to refer the case to the Competition Commission.

The agreement concluded an investigation by the OFT into complaints of predatory pricing made by its rivals in the British daily broadsheet market. The Daily Telegraph, The Guardian and The Independent.

The Times cut its cover price to 10 pence (16 cents) for its Monday edition between June 1996 and January 1998, a move which helped its circulation rise dramatically to almost 800,000, roughly double its level a decade ago.

John Bridgeman, Director General of Fair Trading said: "I have concluded that News International deliberately made a loss on The Times during the period between June 1996 and January 1998 when the Monday edition was sold for 10p, and that this affected competition in the national daily newspaper market."

Competitors alleged that they had been forced to cut prices or lose sales and that investment had been reduced accordingly.

News International stopped its price cutting 16 months ago and the price of The Times has been raised several times since, although it still sells at 30 pence, 15 pence less than its competitors.

Bridgeman said that under the circumstances "informal assurances are the most appropriate remedy."

Hinton said The Times' pricing strategy had benefited readers and stimulated the newspaper market.

Turkish-born German parliament deputy Cem Ozdemir of the Alliance 90/The Greens party, offers champagne as he celebrates the passing of the government's new nationality law by the Bundesrat, the upper house of parliament, Friday, in a move that will make it easier for immigrants to become German citizens. In the background are a group of children who were visiting the parliament.

— AFP photo

Commodity: Weekly Roundup

Oil loses more ground on continued correction

LONDON, May 22: Crude oil prices lost more ground on the International Petroleum Exchange due to a marked correction from recent gains, but turned up at the end of the week amid uncertainty over Iraqi exports as the UN Security Council prepares to extend an oil-for-food programme, reports AFP.

Prices are expected to firm once more as long as the Organisation of Petroleum Exporting Countries (OPEC) respects commitments to cut output.

Brent North Sea crude for June delivery recovered to 15.45 dollars a barrel by the end of the week, having dipped briefly below 15 dollars a barrel earlier, but this was below the 16.42 dollars seen last year.

COFFEE: Rich coffee prices spike higher on international markets as Brazilian plantations were threatened by frost.

Arabica prices on the New York market rose by 17.45 dollars to 121.10 cents a pound.

Robusta prices on the London market jumped 136 dollars to 1,538 dollars a tonne for May delivery.

TEA: Mixed. Demand in Kenya's Mombasa auction houses remained lively, the London Tea Brokers Association said, but price were mixed.

Some broken tea remained firm while others lot up to 13 cents a kilo. High-grade PFT leaves lost up to 40 cents while powdered dust tea gained up to 30 cents a kilo.

SUGAR: Fine sugar prices nudged upwards in calm trading on a market still weighed down by a supply surplus.

August contracts on the London market rose by 30 cents to 176.80 dollars a tonne.

The Cuban harvest topped 3.7 million tonnes this year.

100,000 tonnes more than initial targets.

COCOA: Dark cocoa prices fell again amid a supply glut made even more abundant by a likely record harvest this year in Côte d'Ivoire, the world's leading producer country.

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GRAINS: Soft US wheat prices rose slightly on bargain-hunting after the previous week's losses.

On the Chicago market, wheat prices rose by nine cents to 2.54 dollars a bushel (of 27.2 kg, for May delivery).

London prices also gained. A tonne of wheat here rose by one cent to 78 pounds (for May).

COTTON: Flat. Cotton prices remained flat amid threadbare trade on the US market.

Prices in New York closed at 57.93 cents a pound from 57.87 cents.

Cash prices covered by the Cotton Outlook index rose by five cents to 59.85 cents a pound.

WOOL: Cool. Wool prices fell during the last auctions of this season in both Australia and Britain.

Australian dealers said that they hoped next season would see stronger demand for the fibres.

The RSSI index in Kuala Lumpur finished the week at



A young Taiwanese girl dresses like a mobile phone for a "dress-up" costume contest in Taipei's Hsinming Carnival sponsored by the city government Saturday. More than 400 young people in costumes took part in the contest.

— AFP photo

ROK economy grows 4.6pc

SEOUL, May 22: South Korea said today the economy grew 4.6 per cent year-on-year in the first quarter of 1999, putting an end to a year-long recession, reports Reuters.

The central bank of Korea said the provisional 4.6 per cent increase in gross domestic product contrasted with a 3.6 per cent contraction a year ago.

The GDP rose 4.6 per cent in the first quarter thanks to a pick-up in domestic consumption — particularly private spending and facility investment — and expanded growth in exports, Chong Jung-ho, associate director general of the economic statistics department at the central bank, told reporters.

"It appears the economy has returned to the pre-crisis level," he said.

Manufacturing production rose 10.7 per cent in the first three months, against a 4.7 per cent drop a year ago on the back of increased production of electric and electronic goods and transportation equipments, it said.

Private consumption recovered 6.3 per cent in the first quarter, against a 6.9 per cent

fall a year ago, as household spending increased on durable goods such as automobiles and personal computers.

Fixed capital investment fell 4.3 per cent in January to March despite a 12.9 per cent rise in facility investment as construction investment lagged 13.7 per cent.

Analysts said the future was more promising.

"(The growth) was much higher than we had expected, especially the facility investment," said Haeng Sang-chun, economist at Daewoo Economic Research Institute.

The figure for the second quarter will likely surpass that, reaching around 5.5 per cent.

"We will see even stronger growth in the second and third quarters due to the lower bases we had last year," he said.

If private consumption and facility investment stay strong, the economy may grow over six per cent for the whole of this year.

The official forecast is subject to revision in June.

But analysts also said economic hurdles remained.

"The mission now is making this pace sustainable. We have a much worse situation in the second half as the United States opts for tighter monetary policy and the yen is going to weaken," said Daewoo's Han.

The Federal open Market Committee left US interest rates unchanged this week but said a future rise was possible to fend off inflation.

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bank. The central bank had targeted 3.8 per cent growth for the whole of this year.

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