Thai economy posts moderate recovery

BANGKOK, July 1: Thailand's battered economy is experiencing a moderate recovery based on the latest monthly economic indicators but the upturn will take time to take root, the Thai central bank said Wednesday, says Reuters.

Central bank data, published today showed the closely watched manufacturing production index (MPI) was 7.2 per cent higher year on year in May, its fifth consecutive monthly increase.

May exports rose 8.6 per cent, their second consecutive monthly year-on-year growth, after a full year of steady declines. Imports grew a robust 9.4 per cent year on year in May.

"I am not saying that we will see recovery overnight ... but the fact that a patient who has been sick for a long time has started to manage to move his fingers and arms should be taken as a sign of recovery," the central bank's chief economist Atchana Waiquamdee told a news conference.

Analysts said the latest figures were positive, particularly year-on-year growth in the May MPI. They added that the latest indicators were buttressed by Wednesday's news from the official think tank, the National Economic and Social Development Board (NESDB), that Thailand posted 0.9 per cent year-on-year growth in the first quarter of this year — its first in two years.

"The figures indicate a positive trend — the manufacturing index is up, the current account surplus is very strong, exports are good. It is good news," said Adam Clarke, head of research at Capital Nomura Securities.

"A lot of people say if you compared this to the likes of South Korea, this is not that exciting. But given that the recession here was really deep compared to other markets, these are pretty good numbers".

Rapport course on concept of a manager held

A special training course on 'Concept of a Manager' was held Panda Garden Restaurant on Sunday, says a press release.

The course was organised by Rapport Bangladesh Limited for the mid-level executives of ANZ Grindlays Bank.

The training course was conducted by M Mosharraf Hossain, Managing Director, of Rapport Bangladesh Limited.

"Managers are responsible for result and non-managers are responsible for activities" was the theme of the course.

Hossain elaborated this theme by defining management from the perspective of practical work.

US blasts Russian insurance law

WASHINGTON, July 1: The United States yesterday criticised a new Russian law that precludes foreign firms from selling insurance in Russia and warned it could harm Moscow's entry into the World Trade Organisation, says Reuters.

"We have made it clear to Russian officials that the recently passed restrictive law on insurance is contrary to Russia's goal of revitalising its economy and attracting foreign investment and may complicate Russia's accession to the World Trade Organisation," State Department spokesman James Rubin said.

The US-Russia Business Council used even tougher language.

"This matter is extremely serious. It threatens a major disruption in commercial relations between the United States and Russia and could have significant political implications as well," the group's president, Eugene Lawson, said in a statement.

"We call on President Boris Yeltsin to exercise his constitutional prerogative to reject the draft law in its current form," he added.

Russia's Federation Council, the upper house of parliament, on Friday approved a bill essentially barring new foreign insurers from entering the market.

Interfax news agency reported the upper house had agreed to require foreign insurance companies in Russia have a 25-year record of operations in their home country and a two-year record of activities in Russia.

Thus no new foreign insurance companies could enter the market.

UN urges Iran to deal with Y2K bug

TEHRAN, July 1: A United Nations report has urged Iran to act urgently to deal with the millennium computer bug (Y2K), the official Iranian news agency IRNA reported yesterday, says Reuters.

It said the report, written by a UN expert visiting Iran to inspect computer systems at state bodies, "stressed that, to bypass the (Y2K) problem, Iran has to formulate and implement emergency plans".

"Iran has to set up a crisis headquarters to confront the millennium bug," said the report, quoted in IRNA's English-language dispatch.

The report said that "80 per cent of the organizations with systems using... chips (affected by the Y2K big) are not in good condition," IRNA said.

Thailand hails possible breakthrough

US open to shared WTO leadership

WASHINGTON, July 1: The United States yesterday said it was open to a proposal to resolve a leadership impasse at the World Trade Organisation by sharing the leadership between two candidates vying for the post, says Reuters.

"We're open to a consensus resolution that commands the majority support of the WTO," White House spokesman Jake Siewert said when asked for the US opinion on the shared leadership proposal.

Asked if the United States could accept a shared leadership, Siewert said, "Oh, absolutely."

"We think it's important that this issue be resolved quickly in a way that reflects the will of the majority," he said.

The idea of sharing the leadership through consecutive terms has surfaced as a way to resolve a thorny leadership battle between Mike Moore, a former New Zealand prime minister whose candidacy was backed by Washington, and Thai Deputy Prime Minister Supachai Panitchpakdi.

The 134-member WTO, which polices global trade agreements, has been without a director-general since April, when Renato Ruggiero of Italy stepped down at the end of his four-year term.

Details of how a shared leadership would work have yet to be agreed on by members.

Supachai has said he would accept the arrangement if needed to resolve the deadlock, and New Zealand Trade Minister Lockwood Smith has described the idea as worthy of discussion.

An earlier report says, a senior Thai economic official Wednesday signalled a possible breakthrough in the World Trade Organisation's long-running leadership crisis over a proposal to share the post between the two top candidates.

Kobsak Chutikul, the foreign ministry's director-general for economic affairs, said a compromise proposal under which Mike Moore, a former prime minister of New Zealand, and Thai Deputy Prime Minister Supachai Panitchpakdi would serve consecutive terms was seen as a "potential breakthrough" by Thailand.

Supachai said he would accept this arrangement if there was no other way to break the deadlock. But in Bangkok, Thai Prime Minister Chuan Leekpai seemed unhappy with this statement.

"I have not met with deputy Supachai yet."

M Mosharraf Hossain, Managing Director of Rapport Bangladesh Limited (sitting in the middle), is seen with the participants of a training course on Concept of a Manager organised by Rapport for the executives of ANZ Grindlays Bank at Panda Garden recently. — Rapport photo

APEC slips from free trade plans

AUCKLAND, July 1: Two years ago APEC leaders in Vancouver announced a sweeping vision of free trade throughout the Asia-Pacific, endorsing a series of regional tariff cuts, says Reuters.

This week, a conference of the forum's trade ministers in Auckland filed the last of these plans in the too-hard basket.

Ministers instead urged the World Trade Organisation to tackle the tariffs and pushed it to widen global trade talks to include industrial products when it meets in Seattle in November.

Trade experts warned the failure of the Asia-Pacific Economic Cooperation (APEC) forum to carry out the cuts itself reduced it to a cheerleader on the sidelines of the main WTO event.

APEC officials will press on with eliminating non-tariff barriers in the region, but this might not be enough to attract world leaders to future summits, said Robert Scully, director of Auckland University's APEC Study Centre.

"There are going to be political issues about how much mileage someone like (US President Bill) Clinton or his successor is going to get out of these meetings if there are not going to be spectacular breakthroughs."

And a forum of APEC business leaders delivered a blunt message to ministers, saying it was hard to see APEC's successes and it should continue with its own tariff cuts.

"The WTO processes are too slow and the delay is costing APEC economies and consumers," business leaders said.

Scully argues that APEC over-reached itself in Vancouver when it lined up to obliterate regional tariffs covering $1.5 trillion across 15 trade sectors, from food and fish to toys and oilseeds.

APEC should never have set these goals "without doing their homework and making sure they were all committed to it", he said.

Trade ministers at the conference had misgivings about APEC duplicating the job of the larger WTO.

"It might create a problem for other members of the WTO ... because they may think that APEC is cooking something to make them eat," said China's vice minister for foreign trade, Long Yongtu.

Saudi bank merger may not blaze trail

DUBAI, July 1: After months of wrangling, Saudi American Bank 1090.SE and United Saudi Bank 1120.SE are likely to complete their union smoothly, analysts say, but this does not mean the rest of the sector will ride the merger wave, says Reuters.

Shareholders from the two banks are due to meet on July 3 to vote on whether to give the $1.35 billion merger the final stamp of approval.

Analysts said they did not envisage any hold-ups as the meeting was basically a formality. Richard Thomas of Standard & Poor's ratings agency said he did not see the SAMBA/USB tie-up setting a tone for the sector.

"I don't particularly see the need for consolidation in the banking sector in Saudi Arabia ... and I am unconvinced that this presages a trend in the Gulf region," Thomas told Reuters.

He said strategically it would be a waste of money for the Gulf banks to attempt to compete internationally when they were making plenty of money in their own backyards.

Thomas Kenzik, a bank analyst at Cyprus-based Capital Intelligence, said the merger did not really pave the way for others as it was really one of a kind given the size of the banks.

Beshr Bakheet of Riyadh-based Bakheet Financial Advisors said big mergers were unlikely as most of the remaining banks operating in Saudi Arabia were owned by big European banking groups who were already in competition with each other.

There have been few merger moves in the region so far.

S Korea eyes strong economic growth

SEOUL, July 1: South Korea said today the economy would grow five to six per cent year-on-year in the second half of 1999 and for the whole of 1999, confirming the country was rapidly recovering from its worst crisis since the Korean War, says Reuters.

Analysts thought the government's cheery projections were, if anything, too conservative.

"I expect the GDP to grow well over six per cent for 1999 on the back of robust private consumption and rekindled investment," said Tae Chung, head of research at Hyundai Securities.

In its second-half policy review, the Ministry of Finance and Economy forecast gross domestic product would expand seven per cent in the second quarter after posting a 4.6 per cent rise in the first quarter.

The economy contracted a provisional 5.8 per cent in 1998 from 1997, its worst performance on record. Unemployment reached record levels as companies, unable to get credit from a banking system that was technically insolvent, tumbled into bankruptcy.

Private consumption was expected to rise six per cent in the second half after a 6.3 per cent climb in the first quarter, after plunging some 40 per cent last year.

The ministry also forecast a 25 per cent rise in second-half investments in plants and equipment. But construction investment was unlikely to pick up strongly in the second half, it said.

The ministry predicted the country's consumer price index (CPI) would rise about two per cent year-on-year in 1999, against 7.5 per cent the previous year.

"The CPI will rise more or less in the second half on the back of the economic recovery, but for the year it is forecast to stabilise at around two per cent," the ministry said.

The country's unemployment rate was forecast to drop to the five per cent level during September and October from 6.5 per cent in May as the economy picks up, it said.

The seasonally unadjusted rate was projected to fall further to 4.5 per cent by mid-2000 as 500,000 new jobs would be created.

Italy's GDP rise fuels recovery hopes

ROME, July 1: Italy posted a surprise rise in first-quarter growth Wednesday, reversing the previous quarter's contraction and fuelling hopes Europe's sickest economy was on the mend, says Reuters.

GDP expanded 0.2 per cent quarter on quarter, beating analysts' average forecasts for zero growth, and 0.9 per cent on the year compared to the expected 1.0 per cent.

Recovery hopes for the euro-zone's biggest economies were also boosted by new French data, which showed a 6,000 fall in May unemployment.

A statistical quirk pushed France's jobless rate up to 11.4 per cent from 11.3 but economists said that did not change the fact that unemployment had fallen almost every month for the past two years and would continue to decline.

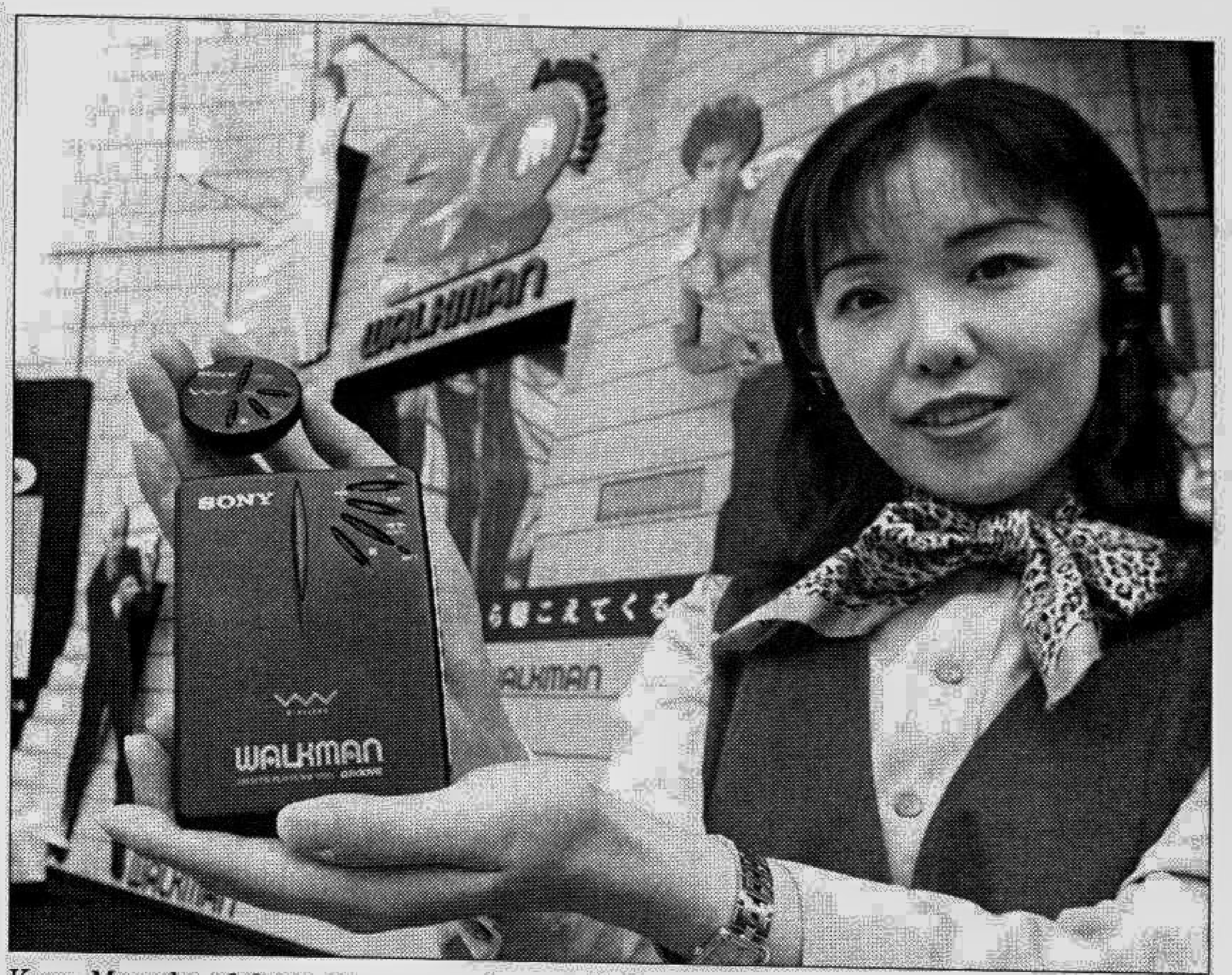
France recently reported first-quarter GDP growth of 0.3 per cent, which together with an equivalent German rate of 0.4 per cent and Italy's newly released 0.2 per cent, suggested a broader euro economy pulling out of the doldrums.

A fourth-quarter 1998 contraction in Italian growth — which had sparked fears of recession — was revised to 0.2 per cent from 0.3 in line with new EU methodology, though the 0.9 per cent annual rise for that quarter was revised down to just 0.3.

"If we put the two quarters together it looks like we've got flat growth, and that's not really anything to write home about, but I would say there are some signs that things are beginning to turn around," said Ken Wattret, senior economist at Paribas.

The Italian data were a boost for a government about to present its macroeconomic plan for 2000-2003, known as the DPEF.

The four-year programme is expected to predict 1.3 per cent growth for 1999, the same level as 1998 and worlds away from a forecast of 2.7 per cent contained in last year's DPEF.



Kayo Masuda of Sony showroom shows off the company's 20th anniversary model of a wireless cassette Walkman in Tokyo Thursday. Sony held events to celebrate the Walkman's 20th anniversary on the day. — AFP photo

Benign Fed rate stance buoys Asian stocks

SINGAPORE, July 1: The US Federal Reserve's move to a neutral monetary policy stance cheered markets across Asia today as fears of further rate hikes on the horizon eased, says Reuters.

Tokyo's benchmark *Nikkei average* put on 356.05 points or 2.03 per cent to 17,885.79 in mid-afternoon trade after earlier hitting a new 21-month intraday high of 17,972.03.

South Korea's Korea Composite Stock Price Index rallied more than four per cent soon after the lunch break and was trading at 918.45 points by 0530 GMT.

After a two-day policy meeting, the Federal Open Market Committee (FOMC) on Wednesday raised the benchmark short-term federal funds rate by 25 per cent to 5.0 per cent and returned to a "neutral" money policy stance, abandoning its tightening bias.

The move pushed the *Dow Jones Industrial average* 155.45 points or 1.44 per cent higher to 10,970.80 on Wednesday.

That eased fears in Tokyo that a sharp US rate rise could spark a downward correction in New York that would spill over to Japanese shares.

"The US action was within our expectations, and that was definitely a supportive factor to the Tokyo market," said Keiko Kondo, a strategist at Merrill Lynch Japan.

The dollar was hardly traded in Asia with the market tried out by the long, tense build-up to the Fed rate hike. The yen was traded at 120.87/120.92 against the dollar at 0530 GMT, compared with 121.17/22 yen late Wednesday in New York.

Australia's benchmark *All Ordinaries index* gave the Fed move a thumbs up from the opening and gained 1.13 per cent by 0530 GMT.

Hong Kong, Taiwan and Thailand's markets were closed for public holidays.

Analysts said Asian markets were already benefiting from increased liquidity because of lower regional rates, while Japan and South Korea had both shown signs of an economic upturn.

Korean stocks were also buoyed by Samsung Group's decision to seek court receivership for its debt-laden auto unit, rather than sell it to Daewoo Group.

New Zealand's *NZSE-40 Capital index* bucked the regional trend, shedding morning gains to end 0.44 per cent lower at 2,127.10 points after heavy selling in market leaders.

Philippine stocks jumped 2.27 per cent to 2,543.30 points, the main share index's highest close in nearly two months.

A further fall in domestic interest rates helped push Jakarta stocks 0.7 per cent higher by 0530 GMT, while Malaysian shares added 2.5 per cent as local funds snapped up key blue chip issues.

Businessmen look at a share price board as they pass a security company in downtown Tokyo Thursday. The key Nikkei index jumped 359.54 points or 2.1 per cent to end the morning session at 17,889.28 after the US Federal Reserve raised US interest rates but adopted a surprisingly neutral position on monetary policy. — AFP photo

Oil basks in 18-month highs

LONDON, July 1: Rallying oil markets basked in 18-month highs today, prompting analysts to warn producers to try to slow the rise and avoid a damaging cycle of boom and bust, reports Reuters.

Benchmark Brent crude was trading a further 15 cents up at $17.66 a barrel after racing up 72 cents on Wednesday as bulls bought heavily on news of a fall in US crude stockpiles.

Dealers said buying was also driven by fears that a threatened tariff on imported oil from four major producers would hike prices in the US market.

"The problem for producers now is how do you take your foot off the accelerator," said John Toalster of SG Securities.

"The price is now virtually guaranteed to go far too high. That is a much nicer problem than the one you had last year with low prices. But it is still a problem."

Analysts said a tightening supply-demand balance in world oil markets meant prices were almost certain to overshoot a target price of around $18 Brent set by producer cartel OPEC.

Some see it sailing above $20 in coming months if the Organisation of the Petroleum Exporting Countries producer club continues to adhere closely to output cut pledges.

"All the signals are right for those who predict tightening of the market before the end of the year," said independent analyst Geoff Pyne.

Added strength has been injected by a request by a group of independent American oil producers for the US government to investigate whether foreign nations are dumping oil in the United States at below fair market value.

The group is seeking countervailing duties against the four targeted countries, Saudi Arabia, Mexico, Venezuela and Iraq.

If they are found guilty of dumping, duties could be imposed on their crude shipments, which would raise oil prices paid by US refineries and most likely increase gasoline prices at the pump for consumers.

Experts say too rapid a price recovery could hit demand in still-fragile Asian economies that for much of the past 20 years have been the engine of global demand growth.

Wednesday's gains occurred after the American Petroleum Institute (API) industry group reported a near 500,000 barrel drop in US crude stocks in the week to June 25.

The rally drew more momentum when the US Department of Energy later issued its own estimate that crude stocks were down 1.7 million barrels in the week to June 25, an even bigger draw.

Brent has risen by more than a third since the latest round of output cuts was agreed in mid-March by OPEC and major exporters like Norway and Mexico.

Some OPEC members have said the rapidity of the price rally may require a decision on the timing of any output adjustments at the next meeting.

But in terms of export revenues, many producers may feel the rally should be allowed to develop for some time to come without hindrance in order to heal damaged state coffers.

Euro's success hinges on credibility, reform

FRANKFURT, July 1: The euro has been hard tested in the six months since it was launched on January 1, signalling that its success will depend on credibility, reform and disciplined budgets, reports AFP.

Much has happened to undermine the new currency which is currently showing a fall of 12 per cent against the dollar.

Some of the negative factors are external and some self-inflicted.

Finance Minister in the new German socialist coalition government, Oskar Lafontaine, first alarmed financial markets by sniping at the untested but independent European Central Bank (ECB).

He lectured it on the need to follow the euro's birth with a cut in euro-zone interest rates to counter a sharp slowing of growth and reduce unemployment.

But then Lafontaine dramatically resigned, and the euro rallied and his successor reverted quickly towards orthodox policies.

But the EU and euro-zone economies, which had grown strongly in response to growth in the United States and elsewhere and reflected confidence generated by the euro-qualifying process, faltered from the effects of crises in Asia.

Worsening economic and political strains in Russia, and notably the exposure of the German economy, weighed on the euro zone as did the outbreak of hostilities in Kosovo.

In April the ECB took markets by surprise cutting its key rate by a full half point to 2.5 per cent, explaining that it was doing so to counter signs of weakness and that the pressure from the by-then-departed Lafontaine had discouraged it from acting sooner.

The United States economy continued to grow, and with it expectations that US interest rates would have to rise: these two factors continued to push up the dollar, adding to apparent weakness of the euro.

And all the while, central bankers in Europe, led by the ECB president Wim Duisenberg, lectured EU finance ministers on the need to continue reducing their public deficits.

He has argued that rate cuts cannot reduce structural unemployment which can be treated only by reforms, notably by removing regulations in the labour market.

He has also warned that much of the reduction of deficits has been a mechanical result of reductions of interest rates and that, after allowance for this, deficits have tended to rise in real terms.

The moment growth slowed sharply, he said, some governments would be in danger of seeing their deficits rise.

And then on May 25 Italy revealed that owing to a slowing of growth, its deficit this year would be 2.3-2.4 per cent of output instead of 2.0 per cent as promised.

The euro, which had shown signs of rallying, slumped immediately and officials at the ECB were infuriated, believing that they had been deceived since the bank had cut its rate on the premise that finance ministers would respect deficit targets.

The image of the ECB took another blow when Duisenberg made a mild statement about the need for rigour which was taken as a sign of dissension within the governing council.

And then the new President of the EU Commission, Romano Prodi, suggested at a conference in Italy last week that Italy might have to leave the euro zone if it did not improve its economic performance.

The euro, which again had begun to rally in response to signals that the German economy was recovering, fell sharply.

But lessons have, and are being learnt:

At the Cologne summit, diplomats said that the euro statement had been emasculated because ministers had decided that the less said, the better.

The socialist leaders of Britain and Germany, Tony Blair and Gerhard Schroeder, have struck out with a 'middle way' programme of commitments to orthodox policies and structural reforms, notably of the labour market.

Germany is working on drastic measures to improve the structure of public finances. The leftist administration in Italy has made a string of statements in the last few days signalling that it remains committed to reducing its deficit.

Credibility is judged by forex traders in the short term, but by capital markets in the long term: On global bond markets, in the six months to June 25, bonds to the value of 397.5 billion euros were issued in comparison to bonds in dollars worth 400.2 billion euros.

Until January the dollar was king.

A bond analyst at Paribas bank in Paris, Nathalie Fillet, explained: "The euro is now a reference currency for issues on the international market."