

WB move to facilitate more FDI in Asia

WASHINGTON, July 3: A World Bank unit offering political risk insurance to investors in developing countries will locate a special representative for Asia in its Tokyo office, the agency announced here yesterday, says AFP.

The presence of the special representative will enable the Multilateral Investment Guarantee Agency (MIGA) "to facilitate more foreign direct investment in Asian countries, especially through close collaboration with Japanese government agencies and the Asian Development Bank," said Motomichi Ikawa, MICA executive director.

The appointment will be funded by the Miyazawa initiative, a Japanese government scheme to promote recovery in Indonesia, South Korea, Malaysia, the Philippines and Thailand.

The 17 billion dollars plan was unveiled at last month's Asian Pacific Economic Cooperation (APEC) ministerial meeting in Malaysia by Japanese Finance Minister Kiichi Miyazawa.

Isabella Kasumi Stoehr, a financial expert of German-Japanese origin who has worked on Wall Street, has been appointed special representative and will begin working in Tokyo on July 5.

Since its creation in 1988, MIGA has issued 4.8 billion dollars in insurance covering some 27 billion dollars in foreign direct investment in 63 developing countries.

G7 ministers to meet on Balkan aid July 13

BRUSSELS, July 3: Finance ministers from the Group of Seven (G7) industrialised nations and major international financial bodies will meet in Brussels on July 13 to discuss Balkan aid following the end of the Kosovo crisis, says Reuters.

The meeting of the 'High Level Steering Group on Economic Reconstruction in the Balkans' will be co-hosted by the World Bank and the European Commission, which were given the lead role in coordinating aid to the region at a G7 meeting in April.

The talks will prepare the ground for a donor conference, also due to be held in Brussels, on July 28, a European Union official said.

The donor conference at the end of the month will focus specifically on the immediate humanitarian needs of returning refugees and rebuilding for the winter, the official said.

EU officials have been in Kosovo this week to assess the situation there following the 11-week bombing campaign by NATO against Yugoslav forces.

Hundreds of thousands of refugees have streamed back to Kosovo over the past two weeks since NATO troops entered Kosovo under the terms of a peace agreement following the air strikes.

The EU has estimated it will cost around \$5 billion to repair damage in war-ravaged Kosovo and rebuild its economy.

The G7 meeting, due to last half a day, will fall one day after a regular meeting of EU finance ministers in Brussels.

It will include representatives of the International Monetary Fund, World Bank, European Bank for Reconstruction and Development and the Commission, the official said.

All G7 finance ministers have been invited but the official could not confirm if Lawrence Summers, due to be sworn in later on Friday as new US treasury secretary, would attend.

'IMF may soon release \$ 4.5b loan to Russia'

MOSCOW, July 3: Prime Minister Sergei Stepashin said Saturday he was confident the International Monetary Fund would soon release a \$4.5 billion loan to Russia, says AP.

"A loan will be given to us," Stepashin said before addressing the Federation Council, the upper house of parliament. "Everything will be all right with Russia," he said, according to the Interfax news agency.

The Federation Council held a special meeting to hear reports from the government on the country's most pressing financial problems.

An IMF team that visited Moscow this week praised Russia's economic performance and indicated that lending could be resumed, allowing Russia to pay off debts due this year and avoid a potentially disastrous default.

Stepashin said approval of the government's package of laws, written in response to IMF conditions for the loan, by both houses of parliament would set the stage for Russia's economic recovery.

Approval, he said, "would provide a reliable base for the government in talks with international financial organisations and international creditors."

The Federation Council on Friday approved several key bills required by the IMF to make Russia eligible for the badly needed loan.

Stepashin thanked the council members for their work on the government's package, Interfax reported. He said only the combined efforts of the government and parliament "can lay a foundation for Russia's economic growth and for its political stabilisation."

Central bank raises banks' reserve requirement Pakistan vows to clamp down on currency speculation

KARACHI, Pakistan, July 3: Pakistani Finance Minister Ishaq Dar yesterday threatened to launch a crackdown against currency speculation in the market and said the government could even close down the parallel trade, says Reuters.

"If these guys do not behave I will have no choice but to roll them back," he said in a speech at a trade exhibition in Karachi. "They can take it as a warning," he added.

"I cannot let a few speculators and manipulators to take the country's financial system as a hostage," the minister said.

His warning came as the rupee dipped to 54.40 rupees against the dollar in the market against a floating inter-bank rate of 51.40 rupees.

But currency dealers said the black market rate of the rupee was weaker at 55 rupees to a

dollar because of fears of a war between India and Pakistan over the disputed Kashmir region.

Pakistan faced similar problems last year when it introduced a series of measures to conserve foreign exchange to mitigate the effects of international sanctions imposed for its nuclear tests.

Dar said the interbank floating rate was the "true rate" at which 95 per cent of transactions took place.

In May, Pakistan abolished a dual exchange rate introduced last July to withstand the effects of the sanctions.

The interbank floating rate was made the effective exchange rate system in May.

Dar said only five per cent of currency trade was in the market, adding that he would not permit any speculation in

such a small market.

He said the difference between the interbank and inter-bank currency rates would soon be reduced. "I can assure it will be 1.0 rupees to 1.50 rupees very soon."

Dar also threatened to take action against traders evading taxes, saying "I will stand as a rock and wall against them."

Pakistan has set an ambitious tax revenue target of 356 billion rupees (\$6.98 billion) for fiscal 1999-2000 (July-June) against an estimated 307 billion rupees in 1998-99.

Meanwhile, the Pak central bank said yesterday that the reserve requirement for banks and non-bank financial institutions will be increased from July 12.

Effective from 12th July 1999, every scheduled bank

shall maintain with State Bank an average weekly balance equivalent to 5.0 per cent of its demand and time liabilities," the State Bank of Pakistan said in a circular.

The central bank cut the reserve requirement to 3.5 per cent on May 19 when it unified a dual rate exchange mechanism.

It has also lowered other reserve requirements to pump liquidity into the system, anticipating a large withdrawal from frozen foreign currency accounts after it allowed conversion at the interbank floating rate.

Withdrawal from these accounts, frozen hours after Pakistan's nuclear tests in May last year, was earlier allowed at the official rate of 46 rupees to a dollar.

US economic boom bypasses over 35m Americans

WASHINGTON, July 3: The US economic boom has been a bust for more than 35 million Americans, some of whom President Bill Clinton will meet next week on his cross-country tour of the nation's poorest areas, says Reuters.

Despite seven years of unprecedented growth and a median household income approaching \$40,000, many still live without adequate economic resources, according to the Census Bureau's annual report on poverty.

For the bureau's purposes, a family of four was regarded as poor if its annual income was \$16,400 or less; for a family of three the poverty threshold was \$12,802.

In 1997, the latest year for which statistics have been released, the overall US poverty rate fell from 13.7 per cent to 13.3 per cent, but that still left 35.6 million in the "poor" category.

The poverty rate for Indians living on reservations was 31 per cent, for Hispanics 27.1 per

cent and for blacks 26.5 per cent — all more than twice that of whites.

The number of poor blacks was 9.1 million. For Hispanics the figure was 8.3 million.

The gap between the wealthiest and the poorest Americans remained the same.

The Census Bureau reported that the median household income of all Americans rose 1.9 per cent in 1997 to \$37,005, growing at almost twice the rate of inflation and matching its peak in 1989 before the nation fell into recession.

Almost twice as many of the poor live in inner cities than in the suburbs, although their numbers are declining. The poverty rate for inner cities was 18.8 per cent compared with 9 per cent in suburbs and 15.9 per cent in rural areas.

New Hampshire, Alaska, Utah and Wisconsin had the lowest poverty rates. New Mexico had the highest, followed closely by the District of Columbia, Mississippi and Louisiana.

The number of poor families was put at 7.3 million, but the bureau said it was declining.

Across all racial and ethnic groups, mothers raising children alone contrasted most starkly with married couple families. Families with a female head of household and no husband present comprised 55 per cent of poor families.

By region, the West and the South had significantly higher poverty rates than the Northeast and the Midwest.

By some standards, America's poor are not poor at all. Critics of the Census Bureau's methodology say it significantly undercounted income.

"Just how poor are America's poor?" asked Robert Rector, an analyst at the conservative Heritage Foundation.

At least 200,000 "poor" people owned homes worth more than \$300,000, 70 per cent owned a car, 97 per cent owned colour television sets and two-thirds had air conditioning, he said.



A vendor pushes his heavily loaded bicycle in the Vietnamese village of Bat Trang 11 May 1999, where he picks up ceramic pottery and heads for the city to sell. Located on the outskirts of Hanoi, the town is also known as the "pottery village" and produces commercial pottery artifacts that are sold throughout Vietnam. — AFP photo

Palestinians to ask WB for \$90m loan

BEIT JALA, West Bank, July 3: The Palestinian Authority will ask for \$90 million in loans from the World Bank in the coming months, cabinet minister Nabil Shaath said yesterday, reports Reuters.

The highly concessional loans will be added to the \$180 million in loans already granted to the Palestinian Authority by the World Bank, said Shaath, minister of planning and international cooperation in the self-rule administration.

"These loans are at the least interest possible and pose no burden on us," Shaath told Reuters.

He met World Bank Vice President Kemal Dervis Tuesday to discuss the Palestinian request and ongoing bank projects in the West Bank and Gaza Strip.

Both announced that World Bank President James Wolfensohn will visit Israel and Palestinian areas next month.

Dervis said he hoped Israel's election of Labour Party leader Ehud Barak as its next prime minister would create momentum for economic improvements in the region.

"The momentum is built now for some rapid progress," he said.

Dervis said he would discuss obstacles to economic development with Palestinian and Israeli officials during his visit to the country.

"Freedom of movement for Palestinian people and goods is very important," he said. Israel imposes strict conditions on the entry of Palestinians through its borders and into Arab East Jerusalem.

Aussie PM keen on more tax reform

SYDNEY, July 3: Australian Prime Minister John Howard emphasised his keenness for more tax reform today, saying changes to business tax were the next step towards Australia's goal of becoming a major world financial player, reports Reuters.

Days after parliament enacted his dream of reforming consumption taxes, Howard said he would highlight the new system during a trip to the United States and Japan to push Australian as a financial centre.

The new scheme is centred on a 10 per cent tax on goods and services (the GST) but Howard said reforms to business tax, already the subject of a government review, offered further potential.

"If we do that properly that will be another reason why Australia should be a world financial centre," Howard told a business breakfast in Canberra.

It will be another reason why there can't be a city in Australia that doesn't rival, and in times surpasses, Tokyo as being a world financial centre," he said.

Howard leaves on Monday for a two-week tour of Japan and the United States.

Howard will be in Japan until Friday. He will meet Prime Minister Keizo Obuchi and business leaders in Tokyo and Osaka.

He will meet US President Bill Clinton during stay in Washington on July 12 and 13, during which he is expected to press Australia's case against likely US import restrictions or tariffs against Australian and New Zealand lamb.

Howard will also address US and Australian finance sector leaders during a two-day stay in New York before he goes on to Boston to watch tennis.

Howard said Australia's ability to position itself strongly during the two-year Asian economic crisis proved the country of some 19 million people was "a significant middle economic power."

There were no details of his business tax reform plans.

The GST policy includes removal of a bank accounts debit tax, financial institutions duty (FID) and state-government stamp duty on share transactions.

Howard has refused to say whether Australian was considering the removal of withholding tax on sovereign bonds, although the government is removing a similar tax on corporate bonds.

The tax package will come into effect from July 1, 2000. It was passed on Tuesday following a deal with the minor Democrats party in which basic food items were exempted from the GST.

The left-leaning Democrats hold the balance of power in the upper house, the Senate.

Under Howard's Democrats deal, the abolition of FID has been put back six months to July 1, 2001.

The GST policy is aimed at simplifying Australia's very complicated system of indirect taxes, which includes high tax rates on some goods, low taxes on others and generally none at all on services, the increasingly dominant part of the economy.

Angry German farmers boo Schroeder over austerity

BONN, July 3: German Chancellor Gerhard Schroeder was booed yesterday for the second day running at a public gathering as some 3,000 farmers expressed their anger at his government's strict austerity plan, says Reuters.

Schroeder was given a hostile reception by farmers blowing whistles and shouting "shame on you" when he arrived to deliver a speech at their two-day union meeting in east Germany.

The farmers were protesting against his centre-left government's spending cuts, which they say together with new ecology taxes and cuts in European Union funding under the Agenda 2000 pact would cut five billion marks (\$2.62 billion) off their income.

Some of the farmers wore tee-shirts saying "My name is Gerhard and I like to eat

Bavarian farmers" — a far cry from the days when Schroeder was dubbed the "Teflon chancellor" because of the way he fell out from unpopular government decisions did not stick to his reputation.

Only the previous day, Schroeder was booed and hissed by Bonn residents as he stood on the town hall's steps to officially say goodbye to the Rhineland town that had housed the German government for half a century. He has been thought by some to be in too much of a hurry to decamp to Berlin.

Elected just eight months ago in a vote which ended 16 years of conservative rule under Helmut Kohl, the suave, smooth-talking Schroeder has since been blamed for much of the perceived domestic chaos wrought by his "red-green" coalition.

Even Schroeder's cherished popularity abroad, given a huge boost by his key role in forging a peace plan to end the Kosovo conflict, could be threatened by Germany's boycott of informal EU meetings because German was not one of the working languages.

Schroeder wrote personally on the matter to Finnish Prime Minister Paavo Lipponen on Thursday, an approach which some of his EU colleagues have deemed heavy-handed.

A coalition row about Germany's abandonment of nuclear power is also seen as a public relations disaster.

Unable to make his Social Democrat colleagues and their Green counterparts to agree on the timing of the nuclear pull-out, Schroeder and Environment Minister Juergen Trittin have come in for the sharpest criticism.

WB blacklists 2 cos accused of fraud

WASHINGTON, July 3: The World Bank announced yesterday it had barred two companies accused of fraudulent and corrupt practices from bidding on Bank-financed projects, says AFP.

The World Bank said in a statement it would no longer accept bids from Case Technology Limited, of Watford, England, and Nepostel Consultancy BV of Liessendam, Netherlands.

Both companies were involved in a bid to supply a banking telecommunications network for the Central Bank of Turkmenistan, the statement said.

According to the Bank's Sanctions Committee, Case Technology had been involved in corrupt practices while Nepostel had engaged in fraudulent activities.

The Bank statement gave no further details. Both companies have disputed the charges.



A Cambodian woman (L) prepares meat for sale at an open market in Phnom Penh Saturday. Vendors sell their meat, a combination of water buffalo and cow, in the early morning before the heat and invasion of flies. — AFP photo

Sharp criticism over Asian meltdown

IMF comes up with improved crisis management strategy

WASHINGTON, July 3: The International Monetary Fund, the target of sharp criticism during the Asian financial crisis, has emerged from the ordeal a more transparent institution and with its authority enhanced.

The Asian meltdown, which erupted in Thailand with the devaluation of the baht July 2, 1997, sparked a veritable "revolution" in the way the IMF does business, its managing director, Michel Camdessus, told AFP in a recent interview.

The crisis forced the fund to improve its strategy for preventing financial upheavals and to open itself more to public scrutiny.

As market unrest spread from east Asia across the Pacific to Brazil and Russia, the IMF stepped in to organise international bailout packages worth more than 100 billion dollars for Thailand, South Korea and Indonesia.

Of this total, the IMF committed 35 billion dollars of its

own resources, as well as 18 billion dollars approved last December to shore up Brazilian defences against the global contagion.

At the height of the turbulence, the IMF was pilloried, notably in academic circles and in the US Congress, for having failed to foresee the threat to once-booming Asian economies.

Its rescue initiatives were then denounced as misguided attempts to compensate imprudent overseas investors and creditors.

IMF initiatives favouring budget cuts and higher interest rates were seen in other quarters as imposing recessions on the recipient countries and harming the interests of the poor.

Today, however, the crisis itself is in recession and modest recoveries are under way in some of the worst-hit economies.

For Camdessus, the events of the past two years have highlighted the critical need for

transparency, both among IMF members and in the operations of the Fund itself.

Prodded by the US Congress, which for years has complained about IMF's penchant for secrecy, the Fund has taken steps to improve its communication skills.

The annual evaluation of member economies by the IMF executive board, programme letters of intent and the state of IMF finances are now made part of the public record, an effort bolstered by access to the Internet.

The Fund has even called in a public relations firm to improve its image.

IMF member governments are now strongly urged to make available macroeconomic data for tables published by the Fund on the Internet. The IMF in addition develops and publicizes transparency standards for central banks.

Parallel with the new emphasis on candor is an accent on preventive measures.

At its April general meeting, the IMF approved a new lending scheme called "contingent credit lines," under which assistance is mobilised for countries that have been faithful in pursuing IMF reform measures but who nonetheless find themselves threatened by external instability.

The goal, according to Camdessus, is "to act not after the catastrophe but before it" and to convince vulnerable countries to put in place sound debt management policies and realistic exchange rates.

The IMF has likewise examined its own structure and is considering transforming its interim committee, which provides policy advice, into an actual council with decision-making powers.

The transformation, actively promoted by France, would demonstrate that governments are taking full responsibility for their policies," according to Camdessus.

Metal: Weekly Roundup

Producers' output slashing plans lift copper

LONDON, July 3: Copper prices rose after a number of producers unveiled plans to scale back production, and gold rose further on a technical rally before a gold auction by the Bank of England next week, reports AFP.

Copper rose to a nine-month high after Phelps Dodge, the US producer, had said that it planned to reduce production by an annual 68,000 tonnes.

The announcement followed a similar decision by the Australian BHP, which last week unveiled plans to close its US operations after suffering its worst-ever losses.

The combined reduction in global output was enough to lift prices from their recent lows.

Gold rose before the British central bank's auction of 25 tonnes of gold on Tuesday.

The bank plans to shed half of its gold stocks, but dealers noted that this first in a series of sales was likely to trigger a spate of technical purchases that would probably lift prices in the short-term.

US objections to international plans to sell gold to finance debt relief to the world's poorest nations also buoyed market sentiment.

The gold spot price on the London market rose by 1.75 dollars to 263.25 dollars an ounce.

Silver: Sparkle. Silver prices rose after a fall in US market reserves and the announcement of a cutback in metal production.

Cash prices on the London Bullion Market rose by 21 cents to 5.31 dollars an ounce.

Dealers said that the price rose after a fall in the volume of stocks held on the US Comex market, which pointed to tightening physical supplies.

In addition, the announcement of copper production cutbacks, notably by Phelps Dodge, the US producer, and the Australian Broken Hills Proprietary, helped silver prices.

Silver is often extracted as a by-product of copper output. **Palladium and Platinum:** Quiet. Palladium prices fell slightly after some Russian metal came to market, but deal-

ers said that the outlook was for tight supply and higher prices.

Platinum rose slightly on technical trades amid low volumes.

The palladium cash price lost nine dollars to 320 dollars an ounce.

Base Metals: Glitter. The leading members of the London Metal Exchange base metals complex rose to nine-month highs this week after surprise announcements of further production cutbacks. Three-month copper prices rose by 160.5 dollars to 1,668.5 dollars per tonne.

Prices were aided by a fall of 6,675 tonnes in LME reserves to 754,425 tonnes.

Phelps Dodge, the US producer, surprised the markets by announcing a reduction of 68,000 tonnes in annual production.

The announcement followed plans unveiled the previous week by the Australian Broken Hills Proprietary to close its North American copper mines with annual output of 190,000 tonnes in August.