

WB chief opines
Peace to buoy
Palestinian
economy

GAZA, July 23: World Bank President James Wolfensohn said yesterday peace between Israel and the Palestinian Authority would help to strengthen the Palestinian economy, reports Reuter.

"Certainly relations with Israel, if they are eased, help very much to establish a stronger economic base," Wolfensohn told reporters after lunching with Palestinian President Yasser Arafat in Gaza.

"To the extent that the atmosphere seems better, it is much easier to bring about economic advances," he said.

Hopes for progress in Middle East peacemaking have heightened since the election of new Israeli Prime Minister Ehud Barak who has said he wants to forge a definitive peace treaty with the Palestinians within 15 months.

In a separate meeting with Wolfensohn, Israeli Finance Minister Abraham Shohat told the World Bank head that he hoped a joint Palestinian-Israeli economic committee set up under previous peace deals would accelerate talks on economic cooperation.

Nabil Shaath, Palestinian minister of planning and international cooperation, said Wolfensohn was weighing whether to grant a further \$90 million in aid to strengthen Palestinian institutions.

"He's not here only to discuss projects, he's here to suggest a complete system to help build Palestinian institutions in preparation for the establishment of a state, meaning to help develop financial, legal and economic systems," Shaath said.

Wolfensohn said the Palestinian Authority would be part of the next round of fundraising but that the amount donated would be "something less" than \$90 million.

On Tuesday, the World Bank approved \$54 million to support three development projects in the West Bank and Gaza in fiscal 1998/99 (July/June).

This includes \$21 million for a water and sanitation project in the southern West Bank. The bank's lending commitments in those areas in fiscal 1998 totalled \$20 million. Since 1994 it has committed \$267.5 million for 16 development projects in the West Bank and Gaza.

Ugandan exports up 30 per cent per annum

KAMPALA, July 23: Uganda has managed an export growth of about 30 per cent per annum since 1989, a local report said, reports Xinhua.

Roger Butaagi, executive director of Uganda Export Promotion Board, stressed that the growth of the exports is largely due to the government's policy of trade liberalization and macro economic stability.

Uganda has varied the export products in the past few years. Coffees was the dominant export in the early 1990s, taking about 98 per cent of the country's total exports, the director said, adding that this was dangerous for a country to depend on merely one product, which can be adversely affected by the forces of demand and supply.

Coffee now takes no more than 50 per cent of total exports in Uganda and the other half is taken by non-traditional exports including fruits, vegetables, cut flowers, live animals and fish products, Butaagi was quoted as saying.

German inflation shows sign of picking up

FRANKFURT, July 23: German inflation showed signs of picking up today when three key industrial states reported that July price pressures had risen, driven primarily by rising oil prices, says Reuters.

The state of Hesse said its cost of living rose 0.5 per cent in July from the month before for an annual rate of 0.8 per cent.

Baden-Wuerttemberg said its July CPI rose 0.4 per cent month on month and 0.6 per cent year-on-year while Bavaria said its CPI had risen 0.4 per cent month-on-month and 0.7 per cent on the year.

The year-on-year rate is slightly higher than my expectation. The main reason is a significant increase in energy prices in July and we also had some depreciation in the currency," said Eckhard Schulte, economist at IBF International.

Based on the figures, Germany should post a monthly inflation rate of 0.4 per cent for July, said Gerhard Grebe, chief economist at Bank Julius Baer in Frankfurt.

"Oil price increases had the biggest impact, one can also see that prices of packaged tours went up but they also partially include the effect of oil prices," Grebe added.

Uwe Argenendt, economist at BHF Bank in Frankfurt, said the July figures could point to an annual rate of 0.6 per cent for Germany for 1999 as a whole.

The trend was not worrying but was a sign German inflation was now emerging from its trough, Schulte said.

"The core inflation rate will not go up as much," he said. "But with wage costs going up, it's evident we have seen the bottom of the inflation cycle in Germany and in euroland."

The Daily Star BUSINESS

Tariff lowering by 2002 seems unlikely

ASEAN free trade resolve goes on major test

SINGAPORE, July 23: ASEAN's resolve to speed the creation of a free-trade zone is on test as industries seek protection from cheaper imports in the painful aftermath of the regional financial crisis, reports AFP.

The plan to set up an ASEAN Free Trade Area (AFTA) of 500 million consumers, with a combined gross domestic product of 700 billion dollars, is the centrepiece of the region's quest for closer integration into the new millennium.

But the target of lowering tariffs within the Association of Southeast Asian Nations (ASEAN) to zero-to-five per cent by the start of 2002 seems unlikely to be met as the crisis-hit region struggles to get back on its feet.

The six original signatories to the AFTA Treaty — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — agreed late last year to advance the creation of AFTA by one year from an original 2003 deadline.

"So in the midst of all these external and internal changes how do we stay on course, how do we deal with the challenges in the next decade," he said, summing up the challenges facing the 10-nation grouping.

How does ASEAN continue to be cohesive both on the economic cooperation side as well as deal with strategic changes in the future?

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Malaysia, may want to request for some flexibility in certain sensitive industries which may need more time to liberalise."

Foreign ministers from ASEAN, which also groups Cambodia, Myanmar, Laos and Vietnam, are expected to take stock of progress and problems on the road to AFTA when they meet here Friday.

The ASEAN ministers realise we are facing challenges, Singapore Foreign Minister Shanmugam Jayakumar told reporters on the eve of the meeting.

He said the crisis had brought home the message that "if individual economies are to thrive or even survive in an increasingly and unavoidably competitive world, they have to coordinate, cooperate and integrate as regions."

But domestic industries are seeking protection from the increased competition that cheaper imports would bring as tariff cuts are speeded up.

Philippine President Joseph Estrada has imposed temporary tariff shields to protect six industries. Manila is also studying whether to give three sectors — automotives and parts, petrochemicals and home appliances — a one-year extension to meet ASEAN tariff reductions.

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ASEAN Secretary-General Rodolfo Severino said Thursday that the region had been "shaken to its core" by the financial upheaval which undermined the "very foundations of the so-called 'Asian miracle'."

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crisis by erecting temporary import bans on steel, sugar and some fertilisers.

The original six signatories first agreed to set up AFTA by 2008, then advanced it to 2003 before agreeing last year to move it forward. The newer and less developed ASEAN economies were given more time to catch up.

But pressure is building on governments of even the more developed member-states, whose economies have been ravaged by the crisis to go slow in dismantling obstacles to imports.

ASEAN secretary-general Severino conceded that the rapid opening up of ASEAN economies to one another had given rise to "anxiety in a few industrial sectors and enterprises."

"They fear injury from massive competition from the products of neighbouring countries," he said. "The bogey of 'cheap imports' is being raised."

But he stressed "regional competition works both ways."

"An enterprise in one ASEAN country is gradually subjected to competition from the products of other ASEAN countries, but at the same time its own products can now more freely compete in the other ASEAN countries," he told the ASEAN Business Forum Thursday.

In an often acrimonious battle, Moore was backed by the United States and many European countries while Supachai was strongly backed in Asia and had been seen as the advocate of the developing world.

But Moore's first comments after winning the post focused on the role of lesser-developed nations in the organisation.

He said in a statement that many developing countries could not afford the cost of representation at WTO headquarters in Geneva, let alone digest the thousands of pages of material involved.

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CREDIT AGRICOLE INDOSUEZ



Eric Bishop (2nd from right) speaks at the Credit Agricole Indosuez International Trade Seminar held recently at a city hotel. Francis Dubus, Country Manager for Credit Agricole Indosuez, is also seen on his right.

Credit Agricole photo

Moore to make trade issues easy for developing world

WELLINGTON, July 23: New

WTO chief Mike Moore said today that extra effort is to be put into improving the organisation so that developing countries can have a greater role, reports AFP.

Moore was officially named director-general of the World Trade Organisation Thursday after a nine-month tussle ended in a compromise deal with his rival, Thailand's deputy prime minister Supachai Panitchpakdi.

Supachai will follow Moore as head of the WTO and each will have a three-year term.

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enjoyed by all."

The WTO must work closer with the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, he said.

Moore said his first priority would be preparing for the ministerial meeting in Seattle in November.

This meeting will launch a new round of multilateral trade negotiations, the full scope of which has yet to be agreed. It's time to roll up our sleeves and focus on the issues that are important to all the WTO's members," he said.

Prime Minister Jenny Shipley, who is in Japan, said Moore's appointment was an honour for him.

Investors stay away from Cambodia

PHNOM PENH, July 23: Approved investment in Cambodia in the first half of the year fell to \$163.7 million from \$481.9 million in the same period last year, partly due to US quotas on garments, an investment official said today, reports Reuters.

The ongoing regional economic crisis also meant investors from Cambodia's neighbours were staying away, said Suon Sithy, secretary general of the state Council for the Development of Cambodia (CDC) investment promotion agency.

"Investment is down because the US put garment quotas on us. This has hurt the garment factories," Suon Sithy told the agency.

The United States imposed quotas on 12 categories of Cambodian garments in January.

Even so, more than half of all projects approved by the CDC in the first six months of this year were in the garment sector.

A total of 49 projects were approved in the first half of the year, 26 of them in the garment sector. In the first six months of last year, 75 projects were approved, 40 of them in the garment sector.

"Usually we have a high investment figure but that is not implemented projects," he said.

"For the first half of the year the level of approved projects is low, capital investment is smaller, but it is a real figure," he said.

The regional economic slowdown also meant that investors from Cambodia's neighbours were staying away, he said.

"Because the Asian economic crisis is not yet over those investors have not yet come back to Cambodia."

Approved investment reached \$854 million last year, a 12.5 per cent increase over the previous year but Suon Sithy said the total would be lower for 1999.

Taiwan was the biggest foreign investor in the first six months of this year with approved projects worth \$31.8 million, according to CDC data.

Rules on US sales to Iran, Libya likely this week

WASHINGTON, July 23: The United States plans to issue long-awaited rules this week that will allow for the sale of food, medicine and medical equipment to Iran, Sudan and Libya on a case-by-case basis, a Clinton administration aide said yesterday, reports Reuters.

But some farm sectors that had been hoping to participate in the sales will not be allowed.

"We came down that food will be consumable items, although we're allowing for animal feed as well," the aide said. The definition prevents sales of US cotton and tobacco to the three countries.

The illegal loans caused the bank a loss of 13.3 million yuan (1.60 million US dollars) in both principal and interest owed, said the report.

Yang was arrested last October and the Nanjing City Procuratorate charged her under China's new criminal law in June, it added.

The amount of loans extended to the three heavily indebted companies totalled 13.5 million yuan (1.63 million US dollars), it said.

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On April 28, the Clinton administration announced a change in US policy to exempt food, medicine and medical equipment sales from economic sanctions. Since then, an inter-

agency task force has been working to write new regulations.

The Clinton administration has decided on a "pretty straightforward, narrow definition" for medicine and medical equipment as well for food, said the official, who spoke on condition of anonymity.

Some people would argue that should include trucks and ambulances and things like that. In these fringe areas, I think we'll just have to go on a case-by-case basis," the aide said.

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