

# US presses Japan on growth, Asia on trade talks

SINGAPORE, July 26: The United States kept the pressure on Japan today to restore domestic demand-led economic growth and urged Asian leaders to support a new round of international trade talks, reports Reuters.

While the worst of the Asian financial crisis appears past, "the challenge is to stay the course and make sure the region reaps lasting benefits from the difficult changes it has already endured," US Secretary of State Madeleine Albright said.

In a written statement prepared for an Association of Southeast Asian Nations (ASEAN) meeting, she said it was particularly important that growth-oriented policies be pursued by major economies.

"While we are pleased that

the strong US economy continues to aid recovery in the region, we would like to see other engines propelling regional and global prosperity," she said.

"Japan has an immense role to play and we support Tokyo's efforts to restore domestic demand-led growth," she said.

Leaders of the Asian Pacific Economic Cooperation forum meet in New Zealand in September and "we hope that ASEAN nations will take the lead in building momentum for the WTO (World Trade Organisation) ministerial in Seattle, endorsing a new trade round and moving forward" on a trade liberalisation package as well as on APEC's own trade agenda, she said.

"A strong and growing global economy, with increasing pos-

sibilities for trade, is the best guarantee of prosperity and stability in Southeast Asia," she added.

Albright said with many regional economies showing signs of recovery, "it would be tempting to return to business as usual, but the work of reform is not complete."

Governments and businesses across the Pacific, including the United States, must "stay focused" on bank reform, corporate restructuring, increasing quality and transparency of financial regulation, building stronger capital markets, promoting broad-based growth, reducing unemployment and meeting basic needs, she said.

She said she was encouraged that despite financial difficul-

ties, Indonesia conducted free and fair elections and Thailand bolstered its commitment to democratic values.

But Myanmar remains a threat to regional security and repression there "has generated economic disaster," she said.

Albright renewed concerns about the trafficking of women and children in Asia, which affects about 250,000 people each year, and said next year the United States and the Philippines will co-host a workshop to consider how the region can best combat this "nefarious" traded.

She also complained that unnamed Asian countries have not come to grips with the problem of the AIDS epidemic and addressed how to prevent its spread.

# Australia hailed as a star economy

SYDNEY, July 26: Australia has been lauded as the star economy of the developed world in a US investment bank report that forecasts sharp gains for the Aussie dollar, says Reuters.

The Goldman Sachs report — Australia: Never had it so good! — predicts significantly better performances for Australian markets, including a "relatively cheap" stock market.

"Going forward, Australia looks to be one of, if not the strongest OECD economy, and would appear to be a good home for financial investments," said the reports by Jim O'Neill, Goldman Sachs' chief currency economist in London, dated July 22.

"We forecast a further 12-per cent appreciation of the Australian dollar (to US\$ 0.73) in the next 12 months, and looking beyond that we believe a re-

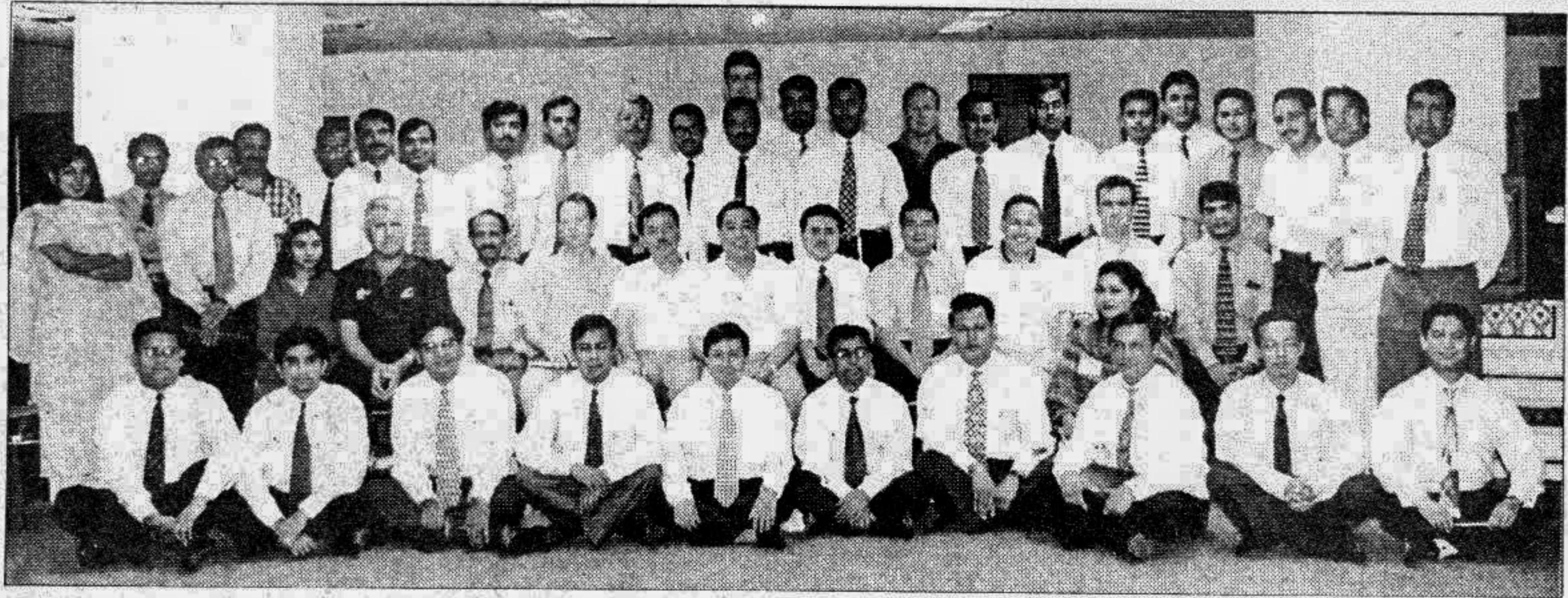
turn towards \$0.80 is possible," it said.

The Australian dollar was trading on Monday at around US\$65.00, down from a year high \$67.45 in early May. It sank to an all-time low of US\$ 0.5530 in August 1998.

The report said the Aussie dollar was also likely to appreciate against the Japanese yen and the New Zealand dollar.

The Goldman Sachs paper is the latest bullish prognosis from overseas about Australia's economy, which has seen growth climb to almost five per cent despite the Asia-Pacific economic crisis.

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Picture shows the participants of a two-day AIME regional distribution workshop of New Zealand Dairy Board's subsidiary companies held in the city recently. — NZ Milk Products photo

## Business Briefs

### DPRK's global trade \$580m

SEOUL: North Korea's trade with the world totalled \$580 million during the first half of this year, down sharply from the same period last year, South Korea said Monday.

The Ministry of Unification said the reclusive communist nation exported \$160 million worth of goods, down 38.5 per cent from the same period in 1998, while its imports fell 14.3 per cent to \$420 million.

The figures, based on customs clearance statistics compiled from about 80 countries and regions, reflected North Korea's worsening economic difficulties, the ministry said.

North Korea's trade with other countries, mostly former communist nation reached \$4.72 billion in 1990 but has gradually decreased since.

North Korea's major export items include textiles, machinery, electric and electronic goods. About one third of its imports are grains and fuelled oil.

China, Japan and South Korea remained North Korea's three major trading partners in the first half of this year, accounting for about 68 per cent of total trade, the ministry said.

North Korea has been largely dependent on foreign aid to feed its 23 million people since 1995 after decades of economic mismanagement and years of bad weather devastated its farming industry.

15,000 Mitsubishi men to tackle Y2K bug

TOKYO: Japan's Mitsubishi Electric Corp. plans to dispatch up to 15,000 employees in the upcoming New Year's season to handle potential year 2000 computer problems, a news report said.

The company, together with its affiliates, will assign 6,000 employees to infrastructure-related fields such as power generation, distribution and communications, the Nikkei Industrial Daily said.

The group will place 5,000 staffers on special duty for business computer systems related problems. Another 2,000 will respond to semiconductor snags, and the remainder will assist with problems in home electronics and in-house systems, the report said.

Mitsubishi Electric had completed 90 per cent of the work required to bring its operations into Y2K compliance as of the end of June. The company expects to be in full compliance by the end of September, the report said.

Thai vehicle output doubles

BANGKOK: Thailand's production of vehicles in the first half of 1999 has more than doubled since the same period last year, the Federation of Thai Industries said Monday.

The figures, which exclude motorcycles, showed production had risen from 63,436 units to 133,288, largely because vehicle makers are shifting output from their Thai plants toward export markets.

Exports of assembled vehicles rose 74 per cent in the same period, to 20,43 billion baht (\$865 million), the federation said. Exports in the first half of 1999 amounted to 40 per cent of production.

Motorcycle production was up 8.2 per cent to 352,089 units, but exports fell 42 per cent to 2.66 billion (\$73 million). — AP reports

## Financial Services Authority warns

# UK regulatory changes may lead to major bank failure

other sectors.

Chancellor of the Exchequer (finance minister) Gordon Brown signalled his willingness to consider the proposals — and possibly even incorporate them into a draft Financial Services and Markets Bill — despite the Treasury's having rejected a statutory competition role for the FSA earlier this year.

The independent said "high-ranking staff" within the FSA feared that requiring it to encourage competition would lead to a confusion of purpose and a much greater risk of regulatory failure.

Staff argue that the FSA and the Bank of England, from which it took over prudential supervision, have licensed a significant number of new banks — among them a clutch of Internet banking service providers — in recent years, the independent said.

The warning comes less than a week after an interim report from the chairman of a government-appointed banking probe recommended a lowering of regulatory barriers to entry into the sector.

Former telecoms regulator Don Cruickshank proposed the FSA, Britain's new super watchdog, be given a statutory objective to promote competition in addition to its current regulatory duties.

He also suggested financial services be subject to the same competition rules which govern

FSA chairman Howard Davies responded coolly to the Cruickshank proposals and Britain's more established banks are up in arms over the competition proposals.

Smaller, niche banks are more responsive, the independent said as many believe current regulations discriminate against them.

Cruickshank's proposals last week were followed by the announcement of a separate government inquiry into UK mortgage provision, which will review the possibility of statutory regulation.

The British government is said to believe that the current regulatory framework limits consumer choice.

British banks have been criticised for failing to pass on base interest rate cuts to customers.

# UK, IMF gold sales unite S African old foes

JOHANNESBURG, July 26: The threat posed by the sale of British and IMF gold reserves has united old foes with a legacy of bitter labour disputes in South Africa's gold industry, says Reuters.

In a scene few would have dreamed possible, union bosses and gold executives have marched together to protest at gold sales which sent bullion crashing to 20-year lows.

"What other South African industry has been able to mount a joint labour-management campaign? We have had tremendous fights with the NUM and we have a robust, tough relationship. But I think we have mature labour relations," Godsell told Reuters.

Analysts say this new solidarity reflects the serious impact which thousands of lost mining jobs would have on the country's economy. But they doubt the unified front will last long if persistent weak gold prices force mine closures and layoffs.

"I think it is an indication of how severe the potential impact could be in terms of employ-

ment in this country," said mining financial analyst Bobby Godsell.

"It will be interesting to see how long this gets together. As soon as they get back to trying to do retrenchments, I think we'll see them back at each other's throats," he added.

Alliance already showing signs of strain

The alliance is already showing signs of strain at mine level, where a strike over pending layoffs at the Oryx gold mine lasted more than a week. A tentative agreement was reached late on Thursday when the company agreed to postpone the retrenchments if the miners went back to work. News talks were to begin on Monday.

NUM General Secretary Gwede Mantashe has said the gold crisis signalled a new cooperative era in mine labour relations, but he warned against drastic job losses.

It halved its losses to 162.24 million rupees.

Results released in the week before showed the country's largest truck manufacturer Tata Engineering and Locomotive Company Ltd TELC BO was also stuck in the red.

"There is topline growth and that indicates a recovery," said Devesh Kumar, head of research at ABN Amro Asia Equities (India). "We feel going forward the numbers will improve."

Higher farm incomes on the back of good agriculture output and lower interest rates were helping to spur demand, he said.

Accelerated implementation of infrastructure projects by state governments ahead of elections between September 4 and October 1 also stocked demand.

Ketan Desai, head of research at Nucleus Securities, said higher prices for steel, cement and petrochemicals would show up with a lag.

# Corporate India shows signs of recovery

BOMBAY, July 26: Corporate India's performance in the first quarter of 1999/2000 (April-March) has been mixed so far with signs of a slow recovery, reports Reuters.

Earnings of 34 companies which released their first quarter results last week grew by an average of 16.2 per cent while sales jumped 29 per cent, a Reuters survey showed.

Some segments of the auto sector like motorcycles, tractors, tyres and forgings were outperformers helped by stronger urban and rural demand.

The net profit of Hero Honda Motors Ltd HROH BO, which makes motorcycles in alliance with Japan's Honda Motor Company Ltd 7267 T, grew more than 67 per cent to 384.39 million rupees (\$8.9 million) in the three months to June 30.

But India's second largest truck maker Ashok Leyland Ltd ASOK BO failed to break into the black despite a nearly 30 per cent growth in sales.

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