

S Arabia expects higher oil prices to cut deficit

RIYADH, Oct 20: Saudi Arabia's minister of industry and electricity said yesterday that higher oil prices were likely to sharply reduce the kingdom's 1999 budget deficit, reports Reuters.

"The budget deficit is expected to decline to 0.8 per cent by the end of this year," the official Saudi Press Agency quoted Hashem Bin Abdullah Bin Hashem Yamani as telling an investment seminar in Paris. Bankers in Saudi Arabia had earlier estimated the 1999 budget deficit to drop to 2.5 per cent of the gross domestic product (GDP) from more than 9 per cent a year earlier.

They said that kingdom's 1999 GDP was expected to reach 506 billion riyals (\$135 billion).

Business briefs

Airline workers go on strike in HK

HONG KONG: Workers at an airline maintenance company went on strike Wednesday, according to Hong Kong aviation officials who said it was too soon to say whether there would be any flight disruptions.

"There are some delays, but we don't know if they're caused by the strike," said S M Tam, a spokesman at the Hong Kong Airport Authority. Tam could not say how many flights had been delayed Wednesday, but pointed out there usually are some delays on any given day.

State-run Radio Hong Kong said workers at the Hong Kong Aircraft Engineering Co., or HAECO, walked out in the morning and staged a sit-in at Chek Lap Kok airport, amid threats that some of their colleagues would lose their jobs.

Details of the walkout, such as how many people participated, remained unclear. Executives at HAECO, partially owned by Hong Kong carrier Cathay Pacific Airways, did not immediately return phone calls from The Associated Press.

Youth key to fight hunger: UN

UNITED NATIONS: Eradicating world hunger will depend on getting young people interested in agricultural programmes and getting them to work the land in rural areas, UN officials said Tuesday on World Food Day.

Countries that battle harsh climatic conditions, civil strife and hazards such as land mines continue to suffer the worst malnutrition in the world, said Jacques Diouf, director-general of the UN Food and Agriculture Organisation.

Speaking at a World Food Day Ceremony on the theme "Youth against Hunger," Diouf said the FAO can't stop wars but it can try to mobilise young people to recognise the importance of feeding a global population that just topped 6 billion.

No Thai plan for forex controls

SINGAPORE: Thailand's Deputy Prime Minister Supachai Panitchpakdi said Wednesday that the government was not considering any controls on foreign exchange transactions.

Supachai's comments followed late Tuesday market rumours that the government would impose restrictions on spot currency transactions between onshore and offshore markets. The rumor drove the US dollar sharply higher against the Thai currency, the baht.

"I can't imagine any reason to resort to control measures," Supachai told reporters at the World Economic Forum's East Asia Economic Summit in Singapore.

The Bank of Thailand has also said no changes in rules governing spot currency transactions were planned.

Traffic through Eurotunnel falls

LONDON: The European Union's abolition of duty-free sales hurt passenger traffic through the Channel Tunnel and caused retail sales to plummet, Eurotunnel said Wednesday.

Passenger traffic fell 12 per cent after the June 30th ending of all internal EU duty-free sales. The British-French tunnel operator said 853,638 cars and motorcycles were shuttled across the tunnel during the three month period to Sept 30, compared to 964,961 over the same period last year. The number of bus tours fell from 25,261 to 19,483.

The slide was in line with falls seen by cross-Channel ferries on the rival sea routes, Eurotunnel said.

Revenues from shop sales also fell 74 per cent — from 45.2 million pounds (\$72.3 million) in the third quarter of last year to 11.1 million pounds (\$17.8 million) this year. Britain's airport operator, British Airports Authority, took over management of the shops on July 1. — AP reports

Americans urged to back free trade

US snipes at Japan's WTO talks agenda

WASHINGTON, Oct 20: The United States yesterday criticised Japan's agenda for the upcoming round of World Trade Organisation talks, saying Tokyo's effort to put anti-dumping laws on the table could sour global negotiations, reports Reuters.

"They don't have any positive goals for this round," US Under Secretary of Commerce for International Trade David Aaron told reporters.

Over objections from the Clinton administration, Japan is pressing for the WTO to take on US anti-dumping laws.

Tokyo alleges that these laws violate international free trade rules by allowing US firms to demand compensation for damage for goods imported at low prices.

The United States opposes dragging anti-dumping into the next round of global trade talks, expected to start after a meeting of WTO ministers in Seattle Nov 30 to Dec 3.

US trade officials insist that the laws are consistent with WTO rules.

"This makes it a little difficult to understand how you can negotiate with them (the Japanese)," Aaron told a news conference after attending a business conference on the upcoming WTO ministerial meeting.

Japan is the greatest dumping country in the world. Fifty per cent of our dumping

cases are with Japan. And for them to be leading this effort is to take a certain amount of presumption," Aaron said.

"It does raise questions as to what the Japanese strategy is because they know that this is a nonstarter with the United States," Aaron added. "To make that their number one goal ... raises questions as to their real commitment to launching this round, and whether they would rather see it not happen than to see it successfully launched."

Anti-dumping legislation, used by many trading countries, provides for action against goods exported and sold abroad at prices below the cost of production and lower than in their country of origin.

The WTO's Dispute Settlement Body set up a panel in July to investigate Japanese allegations against US anti-dumping laws.

The WTO established a panel in February in response to a similar complaint by the European Union, itself often the target of complaints that it uses anti-dumping actions to keep competitive goods out of its market.

Meanwhile, US Trade Representative Charlene Barshefsky urged Americans yesterday to support the Clinton administration's free trade agenda, warning that a backlash could undermine the US economy and Washington's influence around

the world.

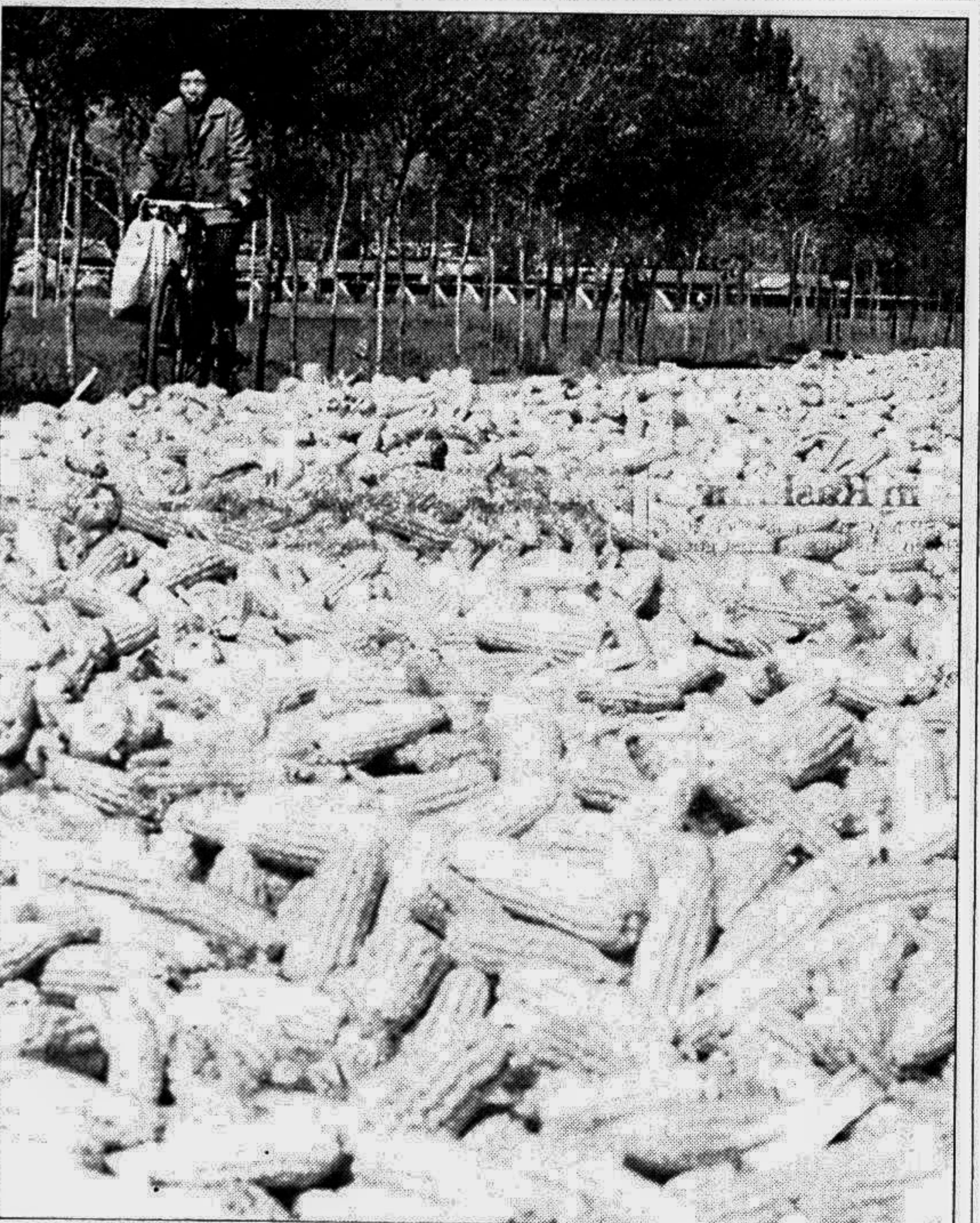
"To turn our back on open trade would be to accept a lower standard of living, loss of export opportunities, reduced rates of investment in plants and hiring, and ultimately a loss of national strength and influence worldwide," Barshefsky said in remarks for delivery at the Council on Foreign Relations in New York.

In her speech, which was released in advance in Washington, Barshefsky laid out her agenda for the World Trade Organisation, which will hold its ministerial meeting in Seattle Nov 30 to Dec 3.

The United States wants the next round of a global trade talks to focus squarely on cutting tariffs and subsidies in the farm sector, as well as on improving market access in the industrial and service sectors.

The United States also proposed that the World Trade Organisation increase its focus on labour issues, and said its goal was to eliminate tariffs on environmental services and technologies to promote their wide distribution.

"Our goal has been an agenda broad enough to meet our top priorities and win support from the WTO membership as a whole; but also manageable enough to complete and implement in a reasonable period of time," Barshefsky said. Barshefsky said the benefits of free trade were undeniable.



A Beijinger cycles down a country road covered with fresh corn laid out to dry near the capital yesterday. Despite China's aggressive push towards modernization and urban development across the country, most major cities are anomalies in a country dominated by rural living and agriculture. — AFP photo

33rd Tokyo Motor Show begins

Automakers hoping to grab a slice of recovering Asia

MAKUHARI, Japan, Oct 20: The world's carmakers pitched their latest models in Tokyo today, hoping to grab a slice of Asia's recovering market amid a revolution in the automobile industry, reports AFP.

Manufacturers of 50 brands of cars and motorcycles unveiled their wares at the Tokyo Motor Show, but the spotlight had already been hogged by an unprecedented restructuring at Nissan Motor Co. Ltd.

The Nissan Revival Plan, which closes five plants and sheds 21,000 jobs in a desperate effort to restructure, was announced Monday in the latest sign of an upheaval in the global market.

"Our announcement was an appropriate response to a very difficult situation," Carlos Ghosn, Nissan's new number two brought in from Renault SA, said at the show.

Nissan is now controlled by Renault, in a deal signed in March that created the world's fourth largest car group.

Ghosn, delivering a presentation in halting Japanese, introduced three new concept cars, the XVL sedan, the Cx-act sports coupe and the Axi small car, which was introduced by four dancing girls dressed alternately in bright red, blue, yellow and green with matching wigs.

The new cars represented Nissan's "Renaissance," Ghosn said at the Nissan stand, down as a Mediterranean villa. Nissan has conceded it must convince customers its car models are as good as its competitors.

Carmakers have been queuing up to find partners to help them pare costs and survive accelerating global competition.

The president of Fuji Heavy Industries Co. Ltd, known for its Subaru brand, said alliance talks were under way with several US and European carmakers, but a capital tie-up was not an immediate option.

"We are holding talks with top executives of several other companies, not only General Motors," Tsuyoshi Tanaka told reporters here.

"We have to consider whether we can survive alone at a time when the industry is changing globally," Tanaka said. "We have to positively think of various kinds of cooperation."

Organisers expected more than 1.5 million people to attend the 33rd Tokyo Motor Show, unveiled to the press a day before the public opening with the theme: "Eye to the future. Changing vehicles for the earth."

Katsuhiko Kawasoe, president of Mitsubishi Motors Corp,

said the future in Southeast Asia appeared to be brighter.

"The market situation in Southeast Asia has cleared the worst phase and is improving faster than expected," he told reporters at the show. "At home, truck sales are worse than we thought, but the mini car market is expanding."

Auto giants like General Motors Corp have already announced big plans to expand in the region and many firms will be looking to tie up with Asian, particularly Japanese, carmakers.

Japan's Mazda Motor Corp. unveiled four new concept cars, including a muscular new sports car and the first vehicle built on a joint platform with its parent firm Ford Motor Co.

Mazda, which is finally back in profit after six years in the red, showed off its new Active-hic.

The sports utility vehicle, still at the concept stage, is built on a Mazda platform which will be shared with Ford, which has a controlling stake in the carmaker.

Mazda also unveiled a four-seater sports car, the RX-Evolv, which uses a naturally aspirated rotary engine. The car's rear passenger doors open in the opposite way to conventional cars and there is no central pillar between the doors.

Drastic move to slash costs

IBM goes for selling its PCs over Internet

NEW YORK, Oct 20: IBM, whose name has been synonymous with personal computers for nearly two decades, is pulling its money-losing line of PCs from retail stores in the United States and will sell them exclusively over the Internet, in a drastic move to cut costs, reports AP.

IBM, the third-largest PC maker in the United States, is the latest technology company to get squeezed by intense price wars and a surge in component costs. Dell Computer Corp warned late Monday its third-quarter profits will be hurt by rising memory chip prices stemming from the Taiwan earthquake last month.

Aptiva PCs will disappear from stores starting Jan 1, an IBM spokeswoman said today.

The disclosure comes two weeks after the Armonk, NY, company told employees it would cut up to 10 per cent of the 10,000-person staff in its PC business as it consolidates several brands — including Aptiva PCs, ThinkPad laptops and Netfinity computer servers — under one marketing umbrella.

The unit, which sells PCs to both consumers and businesses, lost about \$150 million in the second quarter and nearly \$1 billion last year.

The company will continue to sell its ThinkPad laptops, which are profitable, in retail outlets.

IBM said it would evaluate its decision to take Aptivas off the shelves as it urgently tries to stem losses. Stores typically charge fees for displaying and promoting products.

IBM is releasing its third-quarter financial results late Wednesday.

"We don't know what the problem is, but we need to go back to the drawing boards and figure it out," said spokesman Trink Guarino.

IBM pioneered the home computer in the early 1980s when it started selling an affordable box-like device that sat on people's desks. Even though IBM was quickly overtaken by nimble sellers of cheaper PCs, such as Compaq Computer Corp, home computers long were known as "IBM clones."

To differentiate its products,

IBM introduced the Aptiva brand in 1994. But IBM has been struggling to repair its so-called Personal Systems Group for several years and some analysts have even suggested that IBM should stop selling personal computers.

IBM's move to sell PCs only over the Internet takes its cue from Dell, the largest seller of computers directly to customers. In addition to selling online, Dell has a sales force that sells computers to thousands of businesses. But by eliminating wholesalers and retailers for online sales, Dell has lured legions of loyal customers, fueled profits and prompted its largest competitors to become copycats.

Still, Dell sells mostly business PCs to corporate customers, a more tech-savvy group that generally knows what type of computers to buy. Home computer users are more of a "kick-the-tire" crowd, preferring to try out a PC before buying it. In addition, selling consumer PCs only over the Internet will hurt IBM's brand visibility among everyday users.

China central bank upgrades economic growth forecast

SINGAPORE, Oct 20: Economic growth in China could be as high as 8 per cent in 1999, 1 per cent higher than the official target, a senior official of the country's central bank said Wednesday, reports AP.

"In my personal view, gross domestic product will be above 7 per cent and as high as 8 per cent," Cai Escheng, assistant governor at the People's Bank of China told Dow Jones Newswires.

Cai was one of 700 top economists and government officials participating in a global economic conference organised by the Geneva-based World Economic Forum.

He also said there were no plans to devalue the country's currency, the yuan, echoing similar remarks by Beijing officials in recent days.

"At this time, there are no

signs that there should be any devaluation of the yuan; we have no plans to devalue," he said.

Cai said he was pleased with third quarter economic figures posted Tuesday, which showed that China's economic growth in the first nine months of 1999 increased by 7.4 per cent.

At the same time, the retail price index, China's benchmark inflation indicator, dropped for the 24th straight month in September, falling 2.8 per cent from the same month a year earlier.

Cai said the central bank continues to deal with the problem of non-performing loans in state-owned banks. While official reports rate non-performing loans at 7 per cent to 8 per cent, market estimates put the figure at 40 per cent.

Cai conceded that an 8 per cent figure on non-performing

loans was based on the Chinese standard for classifying bad loans. A state-owned bank will only classify a loan as non-performing if interest payments haven't been paid for two years.

The international standard for classifying bad loans lowers that deadline to just three months.

Cai said the central bank was working toward that international standard.

China's efforts to implement such regulations and market reforms underpins the reason why the country should be let into the World Trade Organisation, Cai said.

"We are actively negotiating our entry into the WTO at the moment, but we feel our policies will remain the same," he said. "Since the world economy has become more globalised, China should be allowed to enter."

It's too soon to say East Asian crisis over: WB

SINGAPORE, Oct 20: A top World Bank official warned yesterday that it was too early to declare that East Asian nations have surmounted the regional financial crisis even though their economies were growing, reports AFP.

World Bank senior vice-president Joseph Stiglitz said economic indicators in the crisis-hit countries were still not rosy while companies in the region remained in distress.

"I agree with the consensus that East Asia is in the process of recovery, but it's also important to recognise that it is too early to declare a victory," he said at the World Economic Forum's East Asia conference here.

Stiglitz's words of caution came as most government and corporate leaders gave a resounding vote of confidence in the ability of Asian economies to sustain recoveries following the crisis which erupted in mid-1997.

Stiglitz said that it was premature to declare East Asia was already out of the woods

based on the largely positive trend in regional financial markets.

The financial variables which is what a lot of the financial markets focused on, do not really reflect the fundamentals of the underlying economies," Stiglitz said.

"When you look at the real part of the economy ... the recovery is not yet there," he said.

He added that he was not concerned about complacency setting in as Asian economies recovered from turmoil.

"What worries me more is that the wrong lessons will be drawn from the fact that recovery has occurred," he said.

Stiglitz listed four lessons which he said should be learned from the Asian crisis which plunged the region into recession:

— Companies should have the right footing in facing financial and capital market liberalisation.

— The need for efficient credit systems.

— The need to recognise and treat systemic problems in the

economy and

— The need for financial restructuring efforts to first determine the "clear" owners of enterprises for the "private market" to decide how to go about rehabilitating them.

Stiglitz said in pursuing financial restructuring, problems usually arose when there were too many claimants on their assets.

"You need to straighten out very quickly those claims because otherwise there are no clear owners of the enterprise ... and it is very hard for the enterprise to become productive."

"So the purpose of financial restructuring is to create clear owners of the enterprise and once you have the clear owners of the enterprise, it should be the private market that decides what restructuring takes place," he said.

Stiglitz warned that wrong government policies would make the economic downturn "longer and deeper than necessary."

Russian Communist Party to oppose 2000 budget draft

MOSCOW, OCT 20: Russia's Communist Party decided today to oppose a revised 2000 budget draft in a first reading, dealing a blow to the government's hopes of passing the finance bill ahead of a December parliamentary election, reports Reuters.

Senior Communist deputy Yuri Voronin was quoted by Itar-Tass news agency as saying the faction had decided at a meeting on Wednesday morning to recommend sending the draft document back to a special commission for further work.

The decision came ahead of Wednesday's repeat attempt to get the document approved in a first reading by the State Duma, the lower house of parliament. The Communist faction, with almost 30 per cent of seats, is the biggest in the Duma and with its allies it may sink the draft, threatening Russia's chances of winning vital new international Monetary Fund credits.

Prime Minister Vladimir Putin, preoccupied with a military campaign in the breakaway Chechnya region, flew to the North Caucasus region on Wednesday, leaving First Deputy Prime Minister Viktor Khristenko to plead the case for the budget. Khristenko told the Duma that failure in the first reading to pass the \$27 billion bill could hurt defence and wel-

fare spending — topics dear to the hearts of left-wing lawmakers.

"If the budget is not passed this year, then we face a number of threats — problems with strengthening national defence, problems with paying pensions and social spending," Khristenko said.

Govt wants budget before election

Khristenko said disagreements could be resolved in subsequent readings. The budget has to go through four readings in the Duma and be approved by the Federation Council upper house before President Boris Yeltsin can sign it into law.

The government wants the draft to clear the Duma ahead of the December 19 parliamentary election.

But the Communists have voiced reservations about welfare spending and other aspects of the draft, which was rejected last month in a previous attempt to give it a first reading.

Deputies voted then to send it for reworking to a conciliation commission made up of representatives of the government, Duma and Federation Council.

billion roubles (\$1.4 billion at the projected average 2000 exchange rate of 32 per dollar), including 26 billion roubles more for defence.

The draft targets annual spending of \$49 billion roubles, revenues of 791 billion roubles, and a budget deficit of slightly more than one per cent of gross domestic product.

If the draft fails to pass by the end of the year, Russia will use the 1999 budget as a basis for spending in 2000 until a new plan is adopted.

The government says this would be disastrous since it would not account for higher costs after inflation, leaving expenditure dangerously low. The 2000 budget depends to a great extent on IMF support, which will help Russia to restructure other foreign debts.

The IMF is holding up the second \$640 million tranche of a \$4.5 billion loan agreed in July pending extra guarantees of financial transparency in the wake of a suspected Russian money-laundering scheme in the United States.

Failure to pass the budget could give another pretext for withholding support. "Rejection of the budget will be the reason for which credits will be put off for an unpredictably long time," Duma budget committee head Alexander Zhukov said.

Daewoo, foreign creditors close to debt freeze agreement

SEOUL, Oct 20: South Korea's ailing Daewoo group is close to agreement with its foreign creditors to reschedule debt repayments, the chief of the government's financial watchdog said Wednesday, reports AP.

The two sides appear to have reached a tentative agreement, but a formal deal isn't expected until after a meeting of the foreign creditors next Thursday in Tokyo, said Financial Supervisory Commission chairman Lee Hun-jai.

Daewoo narrowly escaped becoming the nation's largest bankruptcy when its domestic creditors agreed in June to delay repayment of 10 trillion won (\$8.3 billion) in short-term debt for six months and extend 4 trillion won (\$3.3 billion) in new loans.

Two months later, Daewoo bowed to pressure from its domestic creditors and agreed to sell all but six automobile-related units by the end of this year to repay 62 trillion won (\$52 billion) in debts. It has 78 trillion won (\$65 billion) in total assets.

Daewoo's debts to overseas creditors are estimated at \$15 billion. Local newspapers, quoting unidentified sources, said foreign creditors were expected to allow Daewoo to delay repayment by year's end or early next year.

Lee also said General Motors Corp has expressed strong interest in taking over Daewoo Motor Co., but declined to elaborate. The two sides have been in talks on forming a strategic alliance since August, but have not reported any progress yet.

Daewoo Motor, South Korea's second largest automaker, produced 900,000 vehicles last year. At the end of last year, it had 16 trillion won (\$13.3 billion) in total assets and 12 trillion won (\$9.8 billion) in debts.

Daewoo's major foreign creditors include Chase Manhattan Corp and Citibank of the United States, HSBC Holdings PLC of the Britain, ABN Amro Bank of the Netherlands, National Australia Bank Ltd., Bank of Tokyo-Mitsubishi and Dai-ichi Kangyo Bank Ltd of Japan and Arab Bank of Jordan.

Philippines fixes \$12.5b investment target for 2000

MANILA, Oct 20: The Philippines is targeting 500 billion pesos (\$12.5 billion) in new investments in 2000, with half the amount expected to go to special economic zones that offer incentives such as tax breaks, an official said Wednesday, reports AP.

Trade Secretary Jose Pardo said he recently met with European and Japanese investors who are eager to invest in the Philippines, particularly in the growing information technology market.

"We expect more investments next year, with investments in economic zones comprising half of the growth," Pardo told a meeting of business leaders.

The government initially targeted 400 million pesos to 500 million pesos (\$10 billion to \$12.5 billion) in investments for this year, but scaled that down to 200 million pesos to 300 million pesos (\$5 billion to \$7.5 billion) as investments failed to meet expectations.

Pardo said he is optimistic that the Philippines will be chosen over Thailand by US-based Texas Instruments Inc, as the site for a \$2 billion water fabrication plant. Wafers are disks of silicon which are etched and cut to make semiconductors.

Pardo noted that President Joseph Estrada is backing a bill in the Philippine Congress that would grant a 12-year income tax holiday for investments of at least \$1 billion, which would include the wafer plant.

The government has said it hopes a wafer plant in the Philippines will encourage foreign chipmakers to integrate their operations here to include research and development, design and packaging.

UAE drafts law to boost central bank capital

DUBAI, Oct 20: A draft banking law plans to raise the UAE central bank's authorised capital to two billion dirhams (\$545 million) which could pave the way to deepening the local financial market, a newspaper and bankers said today, reports Reuters.

The daily Gulf News quoted Central Bank Governor Nasser al-Suwaidi as saying the draft law would raise the central bank's authorised capital to two billion dirhams and commercial banks' minimum capital to 100 million dirhams.

The newspaper said the central bank's current authorised and paid up capital was 300 million dirhams while the commercial banks' paid-up capital was 40 million dirhams.

The senior banker said raising the central bank's capital could open the way for the bank to issue new instruments such as treasury bills and bonds on behalf of the government and would give the bank enough funds to act as a market maker.

"The most important issue is that the central bank acts as an intermediary," he said, adding that, with limited funds, the central bank would find it difficult to be a market maker and play its traditional role of protecting the currency.

The UAE does not currently issue treasury bills or bonds, although commercial banks can buy certificates of deposit.