West Africans plan single currency within 3 years

ABIDJAN, May 5: Six West African countries, all with huge economic problems and at least one with a barely functioning government, have announced plans for a single currency within three years, says Reuters.

Gambia, Ghana, Liberia, Nigeria, Sierra Leone and francophone Guinea, which has shunned the existing West African currency union backed by France, signed up at a meeting in Accra on April 20.

They set themselves economic convergence targets described as "stringent" by Ghana's President Jerry Rawlings. Independent economists call that an understatement.

"It took the euro five years with more or less everything on its side plus 20 years of close cooperation between the central banks. Starting from scratch would be very difficult," said Sheila Page, a research fellow with the Overseas Development Institute (ODI) in London.

Starting from scratch is pretty much what some of these countries have to do.

Central government in Sierra Leone stretches little further than the capital after a brutal eight-year civil war that ended in July 1999.

According to figures presented at the April meeting, the country's gross domestic product fell by 20 per cent in 1997 after a military coup, stagnated in 1998 and fell another nine per cent in 1999 following a rebel assault on Freetown that left the capital city in flames.

The documents drawn up by technical experts for the Accra meeting contained no economic data for Liberia after 1996.

One brief paragraph noted bleakly: "The economic conditions of Liberia are so deplorable that the external reserves can barely sustain one month of imports."

Realistically, Liberia's deputy minister for debt management, Charles B Allen, admitted that his country would not be in the first wave of countries joining the single currency in January 2003.

"We support the idea, it's good, but we're not ready," he told Reuters in Accra.

The six countries nonetheless all agreed to target a list of convergence indicators, with four of them prime objectives:

— Single digit inflation in 2000, five per cent maximum by 2003.

— Reserves covering three months of imports by end-2000, six months by end -2003.

— Central Bank financing of budget deficits limited to 10 per cent of the previous year's tax revenue.

— Budget deficit, excluding grants, of no more than five per cent in 2000 and four per cent in 2002.

They also agreed to "establish an effective macro-economic data base within each country," acknowledging that there was no way of saying if a country met the above criteria at present given the absence of data.

A technical report drawn up for the meeting notes that "macro-economic performance in the countries has not been impressive."

Guinea, Gambia and Nigeria seem on track to hit the first inflation target, it said.

"Available information shows that with the exception of Ghana and Nigeria, other countries have not met the convergence criterion of central bank financing of fiscal deficit in any of the years between 1996 and 1999," the report said.

Some economists, while doubting that a single currency would see the light of day, applauded efforts by West African states, including the six involved here, to break down trade barriers and push for regional integration in other ways, thorough better transport links and power interconnections, for example.

Although the 2003 date has been set in stone, it seems probable that Ghana and Nigeria will aim to get there on time and leave the others to catch up later. The two are drawing up plans for a common central bank and an interim exchange rate band around a central parity rate.

The Nigerian naira averaged 100 to the dollar in the first quarter of 2000, some 19 per cent below its 1999 average of 86.

Ghana's cedi currency slumped in 1999 and has already dropped 30 per cent this year to around 4,400 per dollar.

Managing an exchange rate mechanism centred on the two currencies would be difficult given those recent trends, and a broader mechanism would be even harder because of the imbalance between oil producer Nigeria and the oil-importing rest.

Nigeria's economy is probably four times as big as the other five combined.

West Africa already has one long-standing monetary union, grouping eight, mainly francophone, countries that use the CFA franc, whose convertibility is guaranteed by France.

In Accra, there was talk of merging the CFA Zone and the secondary monetary zone, perhaps as early as 2004.

"The CFA countries would presumably have to leave the Franc Zone. They would really have to be convinced that Nigeria offered a better perspective than France, which would be an interesting judgment."

Japanese expert calls for EU move to stop euro fall

CHIANGMAI, Thailand, May 5: The EU needs to take action to stop the euro's slide, former Japanese vice minister Eisuke Sakakibara said today, reports Reuters.

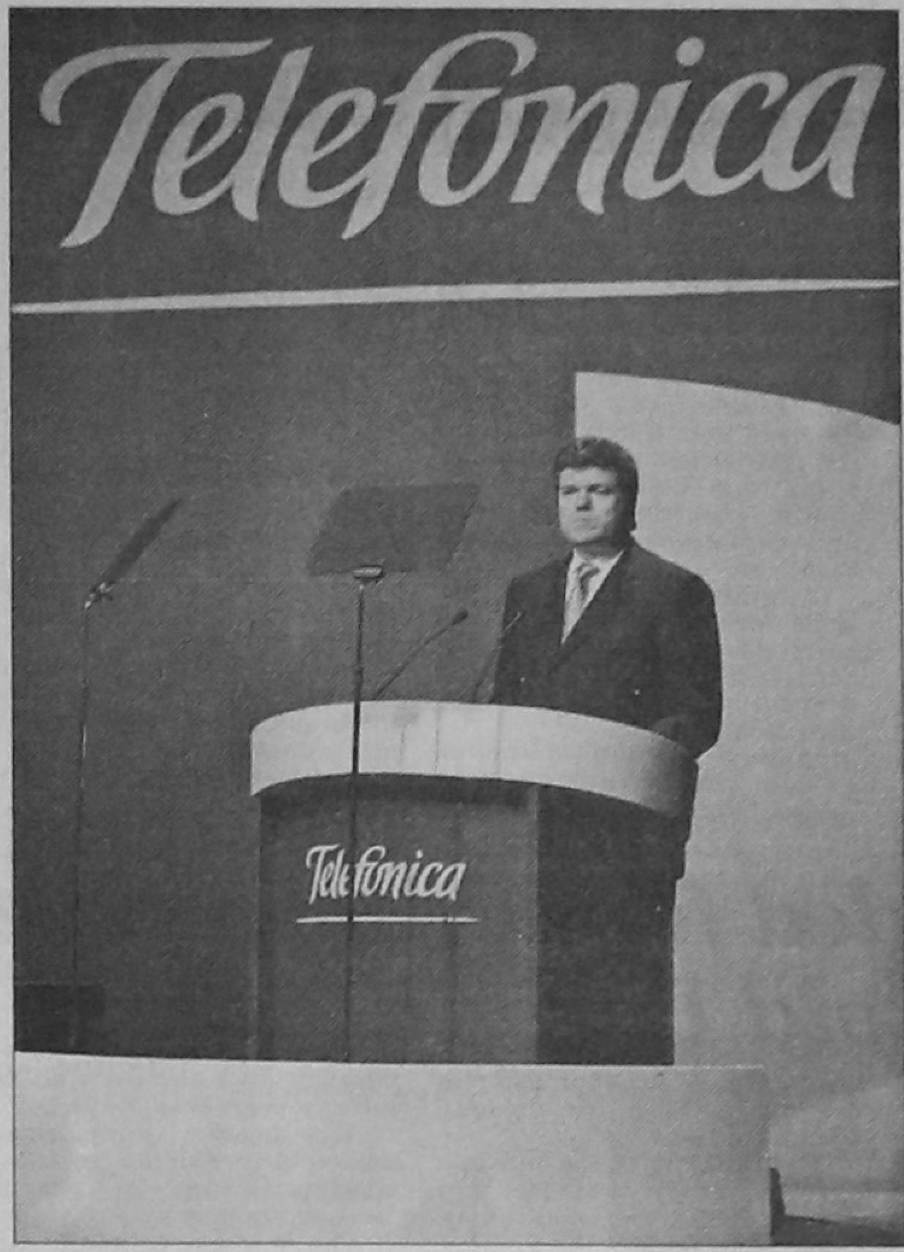
"They need to take some market action. They talk a lot but no action has been taken, so now the market knows ..." Sakakibara, now an economist, told Reuters on the sidelines of the Asian Development Bank (ADB) conference in Chiangmai.

"They need to sort of accompany their words with action — what kind of action is up to them. The market always overshoots, so if you let the market overshoot, it is your policy. But if I was in that position, I would not let the market overshoot," said Sakikibara, known as "Mr Yen" for his ability to influence currency markets when he was Japan's top financial bureaucrat.

He said the euro was too weak against the yen, "no question about it."

The euro EUR was hovering close to lows against other major currencies in quiet Asian trading on Friday.

Euro/dollar dragged itself slightly higher in early Asia and was nearly a cent above its 88.44 cent all-time low. But euro/yen EURJPY was flirting with its record low of around 96.04 and dealers said there is a good chance this will be seriously tested when Europe enters the fray.



File picture dated 4 April 2000 shows Telefonica's president, Juan Villalonga, during the ordinary meeting of shareholders in Madrid. The board of Spanish telecommunications giant Telefonica held an extraordinary meeting May 4, 2000, to consider a merger with Dutch counterpart KPN, despite government reticence over the deal. — AFP photo

Egypt says recession to be over by July

CAIRO, May 5: Egypt's recession will be over before July, Finance Minister Medhat Hassanein said in remarks published in the today edition of the government's Al-Gomhuriya newspaper, says AFP.

Low interest rates and the repayment of government debts will enable the economy to right itself before the end of the financial year in July, he said.

Interest rates for government bonds have already been brought down below 11 per cent to encourage banks to do the same to stimulate the market and promote investment, he said.

The repayment of government debt has already begun, and "every pound paid by the government to contractors and importers generates four pounds in other sectors."

Egyptian President Hosni Mubarak ordered last week a 25-billion-pound (7.5 billion-dollar) cash injection into the economy over eight months starting in the beginning of May.

He said the money would come from the repayment of "government debts."

Finance Minister Hassanein pinpointed four causes of the dollar and pound liquidity crises that triggered the country's recession.

He blamed first the growth in imports from southeast Asia, which quadrupled after the monetary crisis that hit the area between 1997 and 1999.

The piling up of stocks for which there was no demand has contributed to the problem, as has the large number of unsold properties for which buyers are asking high prices.

And finally, government investment in major infrastructure projects had added to the crisis, he said.

Ukraine overstates reserves to win $200m IMF money

PriceWaterhouse Coopers audit shows

WASHINGTON, May 5: An independent audit shows Ukraine overstated its reserves by up to $713 million as it struggled to win loans of $200 million from the International Monetary Fund, the IMF said yesterday, reports Reuters.

A statement accompanying a report from auditors PriceWaterhouse Coopers said the misreporting had encouraged the IMF to pay money it might otherwise have withheld. The IMF would take the misreporting, which dates from 1997, "very seriously" and assess what Ukraine should do about it.

"Once a final determination on misreporting is made, the Executive Board will decide what remedial actions may be appropriate," the statement said.

IMF officials gave no clues on what this action might be Pakistan, where a previous administration misled the Fund about its budget deficit, last week agreed to repay some $55 million in IMF loans.

The IMF called for the audit, the first in a series, after doubts emerged about what happened to Ukrainian reserves during a difficult stop-start era on economic reforms. Ukraine currently owes the IMF some $2.5 billion, paid out from several different IMF loans.

The IMF statement said that, within the scope of the audit, there was no evidence that central bank money had been misappropriated and, with the exception of a $15 million non-performing loan, all the money which left the central bank was returned there.

But the IMF noted that the report did not cover earnings which third party banks made on their investments of the Ukrainian funds, and it said some non-Ukrainian banks had not confirmed transactions they carried out with the central bank.

Speculation about misreporting has centred on what happened to the money when it left Ukraine's official reserves and to what extent outside banks used it to play the high-yielding domestic debt market.

"Based on the information provided in the report, it would appeal that ... (central bank) reserves were potentially overstated by an amount that varied from $391 million in September 1997 to $713 million in December 1997," the IMF said.

The report on Ukraine is the first in a series commissioned by the central bank at the IMF's request to look at problems in the former Soviet republic, which is struggling to revive its economy and repay its domestic and foreign debts.

The IMF said its own internal auditing office would now review the case to see what it won staff and management knew about the problems. A report on this is due out in June, to coincide with a second PwC report looking at the central bank activities in period from Nov 30, 1996 to July 31, 1997.

Measures included quarterly audits of the reserve position of the central bank and efforts to improve management practices at the Ukrainian central bank.

Inflation rises to 3.7 pc in Philippines

MANILA, May 5: Inflation in the Philippines rose to 3.7 per cent on year in April, the highest level so far this year but considerably below analysts' expectations of about 4 per cent, says AP.

Prices rose in nearly all categories, the government statistics office said. However, a relatively small increase in food offset sharp rises in fuel prices and cost of services.

Inflation in March was 3.3 per cent, and the average for the first four months of the year was 3.2 per cent.

Central Bank Governor Rafael Buenaventura said early this week that April's inflation report would determine whether the central bank decides to raise overnight rates to relieve downward pressure on the peso. The overnight rates are the central bank's main tool for mopping up excess liquidity that could be used for currency speculation.

Despite the subdued inflation outlook, analysts said interest rates remain vulnerable to an expected hike in US rates later this month.

Analysts said a slow but steady increase in food prices, coupled with higher crude oil costs, will cause an uptick in inflation in the coming months.

However, the government's target of 5 per cent to 6 per cent for the year will be met comfortably, they said.

Local interest rates are sensitive to movements in US rates because the difference between US and Philippine treasury bill rates is close to historical lows.

"The sensitivity of the Philippines to US interest rates is among the highest in the region," said David Fernandez, an economist at JP Morgan.

"We shouldn't rule out another increase," Fernandez added, referring to the central bank's overnight borrowing rate, which stands at 9 per cent.

Buenaventura said the central bank's Monetary Board still needs to discuss whether to maintain its overnight borrowing rates for next week.

When asked whether the key rates would be maintained following the release of the April inflation data, Buenaventura said, "I don't know."

Analysts believe the weak peso, weighed by prospects of higher US interest rates, will continue to pressure the central bank to tighten monetary policy by raising its overnight borrowing rate.

Nobel laureate for dollar-linked Mercosur currency

MONTEVIDEO, Uruguay, May 5: Brazil, Argentina, Paraguay and Uruguay should include a common currency linked to the US dollar in their macroeconomic convergence plans as another means of controlling inflation, Nobel laureate economist Robert Mundell said yesterday, reports Reuters.

"They should have a monetary target, an inflation target, and it should be fixed to the dollar, not floating," Mundell told delegates at a Uruguayan Central Bank conference.

The Canadian-born Columbia University professor won last year's Nobel prize for economics for research forecasting much of the debate on European economic and monetary union 40 years ago.

There has been increasing talk of creating a common currency between Brazil, Argentina, Paraguay and Uruguay, which from the world's third largest trade bloc, known as Mercosur.

Last Friday, the four South American nations agreed to set common debt, deficit and inflation goals as of next March in order to have the region's economies march at the same pace.

The macroeconomic convergence plan was dubbed "little Maastricht" because of its similarities to the European Union's 1997 Maastricht Treaty, which led to last year's creation of the euro currency.

Of the four countries, Argentina is the closest to the model Mundell suggested.

South America's second-largest economy set up a currency board in 1991 where a matching number of US dollars have since been kept in Central Bank reserves for every peso in circulation and flattened inflation after years of spiraling out of control.

Brazil's Central Bank, however, stopped propping up its currency in January 1999, when the real plummeted more than 30 per cent. The move by the world's eighth largest economy exacerbated recession in regional economies and sandbagged exports from its Mercosur partners who were priced out of the market.

"I don't know how you resolve this. It occurs when you have such a large country and the others are so small. How do you find a system that is satisfactory to everyone? These are political elements that need to be considered," Mundell said.

UN forecasts 3 pc growth for E Europe

GENEVA, May 5: The economies of eastern Europe, the Balkans and the former Soviet Union should grow by an average of three per cent this year, the UN Economic Commission for Europe said today, reports AFP.

Growth rates for eastern Europe should hit four per cent, the Baltic States three per cent and the former Soviet states two per cent, the commission said.

The economies of Balkan countries that have suffered from recent wars should also grow, but at a much slower rate.

The commission said that, because of the Kosovo conflict, south eastern Europe suffered a recession in 1999, and saw their economies shrink by three per cent, compared to an average increase of 1.8 per cent in 1998.

Noting the growing disparity between the relatively healthy growth experienced by Hungary, Poland and Slovenia — candidates for early entry to the European Union — and the difficulties experienced in the southeast, the commission criticised the "inadequate coordination" of the 27 countries involved in the Balkan stability pact.

Indonesia targets $5b in tourism revenue this yr

JAKARTA, May 5: Indonesia is hoping to reap five billion dollars in revenue from tourism this year and 7.6 billion dollars by 2004 in line with improving social and economic conditions, press reports said today, reports AFP.

"These days demonstrations have not developed into riots or other forms of social upheaval ... (and) do not disrupt itineraries of foreign tourists," the Indonesian observer quoted I Gede Artika, executive assistant to the tourism minister, as saying.

Artika said tourist arrivals were expected to reach 5.2 million people in 2000, a five per cent increase over the 4.8 million arrivals who spent some 4.6 billion dollars in 1999.

He said the optimism stemmed from a 20 per cent increase in foreign tourist arrivals at Jakarta's Sukarno-Hatta airport in the past two months as compared to the same period last year.

But Artika said the weakness of the rupiah was still cutting into revenues in the tourism sector, bringing the average amount spent by one tourist before the country's economic crisis hit in 1997 down from 120 dollars a day to 98 dollars a day.

BASC-CENCE seminar on HRD practices held

A seminar on "Benchmarking HRD Practices" held recently in the BRAC conference room in the city, emphasised the need for improving an organisation's human resource development (HRD) practices, says a press release.

The seminar said HRD development helps keep pace with the competition arising out of customers' expectations for high-quality products and services.

Eminent Indian trainer and consultant Gopal Sehjpal was the keynote speaker and gave a multi-media presentation on the state-of-the art HRD concepts such as Flextime, Learning organisation, 360 degrees appraisal, out-bound training (OBT) and the like.

Jointly organised by the Business Advisory Services Centre (BASC) and Centre for Human Excellence (CENCE), the seminar drew a select group of administrators and officials from JOBS Programme of USAID, PPS-B Project of GTZ, MIDAS, BASC, Dipshikha, Green Hill, VARD, HS Enterprise, Tarango, DCCI, TMSS and CENCE.

Picture shows the participants of the seminar on 'benchmarking HRD practices' with Gopal Sehjpal, consultant from India (middle row-4th), at BRAC conference room in the city recently. — CENCE photo

Dow falls, Nasdaq rises

Investors fear Fed rate hike

NEW YORK, May 5: Wall Street stepped cautiously yesterday, leaving stocks mostly lower, as investors bet that Friday's economic data would worsen fears of an aggressive move on interest rates by the Federal Reserve, reports Reuters.

The interest-rate-sensitive blue-chip Dow Jones industrial average fell. But the Nasdaq composite index inched higher in the final minutes of trading, boosted by a run to anti-virus software makers as a new computer bug travelled the world by electronic mail.

Many investors kept their cash on the sidelines ahead of jobs data that is expected to be a strong indicator of the central bank's next move on interest rates.

"Does anyone want to step ahead of the critical number, the employment report, which will probably decide whether it will be a half-per cent or a quarter-per cent move by the Fed?" said Barry Hyman, market strategist for Ehrenkrantz, King Nussbaum Inc.

"The prudent course of action would be to wait and see more definitive action in a trendless market, which is what today is," he said.

A speech by Fed Chairman Alan Greenspan failed to provide clues on the outlook for interest rates, and did not alter the market's hesitant action.

The Dow Jones industrial average ended down 67.64 points, or 0.65 per cent, at 10,412.49 after slumping 250.99 points on Wednesday. Gains in American Express and Exxon Mobil were offset by steeper losses in technology, retail and some manufacturing groups.

The Nasdaq composite index rallied in the final hour to close up 12.93 points, or 0.35 per cent, to 3,720.24 after pending most of the day just slightly below the break-even point.

Strong gains in shares of biotechnology and computer security companies offset some weakness in top technology shares along with online financials.

Broader market measures was nearly unchanged, with the Standard & Poor's 500 index off 5.72 points, or 0.40 per cent, at 1,409.38, and the Wilshire 5000 rose 2.52 points, or 0.02 per cent, to 13,181.76.

Retailers and banks were hit by news that the productivity of American workers rose at slower-than-expected pace in the first quarter while labour costs spiked higher.

Falling productivity can make it harder to curb inflation because businesses are less able to avoid higher labour costs when stepping up output of goods and services.

Cash moved to gold stocks along with utilities and some energy shares. The Dow Jones utility average rose 1.36 per cent and the S&P gold and precious metals index climbed 2.40 per cent.

But trading volumes have been light this week with Wall Street starting to shift attention to the May 16 meeting of Fed policymakers, and away from corporate profit reports as the earnings season begins to slow.

On Thursday, Nasdaq logged its lightest session of the year with 1.28 billion shares changing hands. On the New York Stocks Exchange, only 915.3 million shares traded.

"If you have low volume, it indicates that there is a lot of concern about how bad is the inflation problem," said Bill Meehan, chief market analyst at Cantor Fitzgerald.

A spate of recent economic reports showing an uptick in inflation has led many analysts and economists to forecast that the Fed will opt for a tougher, 50-basis-point hike at the Federal Open Market Committee meeting.

Earlier Thursday, the Labour Department reported that productivity, which is the output per hour of workers outside the farm sector, rose at an annual rate of 2.4 per cent in the first quarter. It was well below the gain of 3.7 per cent forecast by economists.

With productivity gains moderating, unit labour costs increased by 1.8 per cent, compared with a rise of 1.0 per cent that had been expected.

"While the productivity report has never been a major market mover, today's release comes at an interesting juncture," said Scott Brown, chief economist at Raymond James.

SingTel to spend $2.9m for better customer services

SINGAPORE, May 5: Singapore Telecommunications on Friday said it will spend five million Singapore dollars (US $2.9 million) to boost customer services for small and medium-sized companies, reports AP.

SingTel will focus on "providing business solutions to help (these companies) take advantage of new technology to expand their business, lower operating cost and improve profitability," a statement said.

Over the next few months, SingTel will equip 15,000 companies with Platinum Access, an online system offering access to details about their phone usage for the last three months.

It will also allow them to apply for new services online. Last year, small-and medium-sized companies contributed about 500 million Singapore dollars ($294 million) to SingTel's total revenue.

Sydney-Melbourne fibre optic cables cut hits business

SYDNEY, May 5: Fiber optic cables between Australia's two biggest cities were severed Friday, knocking out radio broadcasts, automatic teller machines and forcing the stock exchange to temporarily suspend trading, says AP.

Cable and Wireless Optus Ltd, the nation's second-largest telephone company, said in a statement that the cables linking Sydney and Melbourne had been cut, which in turn interrupted fixed-line communications services in several states.

The Australian Broadcasting Corp said parts of its national radio network had been disrupted, and banks including the Commonwealth, Westpac and National Australia reported that some ATM's were also affected.

Most mobile phone services were not affected.

Bill Hope, Optus' chief technical officer, said that one cable was cut by an early morning landslide in New South Wales state, and that a construction company accidentally cut a second cable while carrying out earthworks.