EU, China scramble to strike WTO entry accord

Beijing signs deal with Latvia

BEIJING, May 17: Tough-talking Chinese and European Union negotiators battled today to find the final compromises for a deal that would take Beijing to the verge of membership of the World Trade Organisation, reports Reuters.

There was no immediate word on how close the two sides were to bridging the gaps as EU Trade Commissioner Pascal Lamy went into his third session of talks with Foreign Trade Minister Shi Guangsheng this week.

Lamy, seeking a better deal for the EU than the one the United States reached with China last November, has said nothing of substance since arriving in Beijing on Monday for the fourth round of talks between the two sides this year.

Chinese negotiators, accused by some powerful ministries of giving too much away to Washington, have said nothing.

However, EU spokesman Anthony Gooch said on Tuesday lower level officials were down to the fine print of the deal.

"The atmosphere continues to be constructive and that's not just a diplomatic expression," said Gooch. "It's workmanlike. We're into the details."

Both sides say they hope these talks will end in agreement. Success for China in ending its 14-year quest for membership of the body which sets global trade rules would put competitive pressure on its ailing state sector to become efficient.

The 15-nation EU has said the US-China deal covered 80 per cent of its concerns.

But the EU, the biggest of about 10 WTO members yet to sign a deal with China, is seeking further concessions in areas where European industry is strong — telecommunications, life insurance, banking, vehicles and distribution.

It is the only member which seems to be having serious difficulty reaching terms with Beijing.

Australian Trade Minister Mark Vaile said on Tuesday he hoped to sign an agreement with Beijing this week and Chinese media reported on Wednesday a deal had been signed with Latvia.

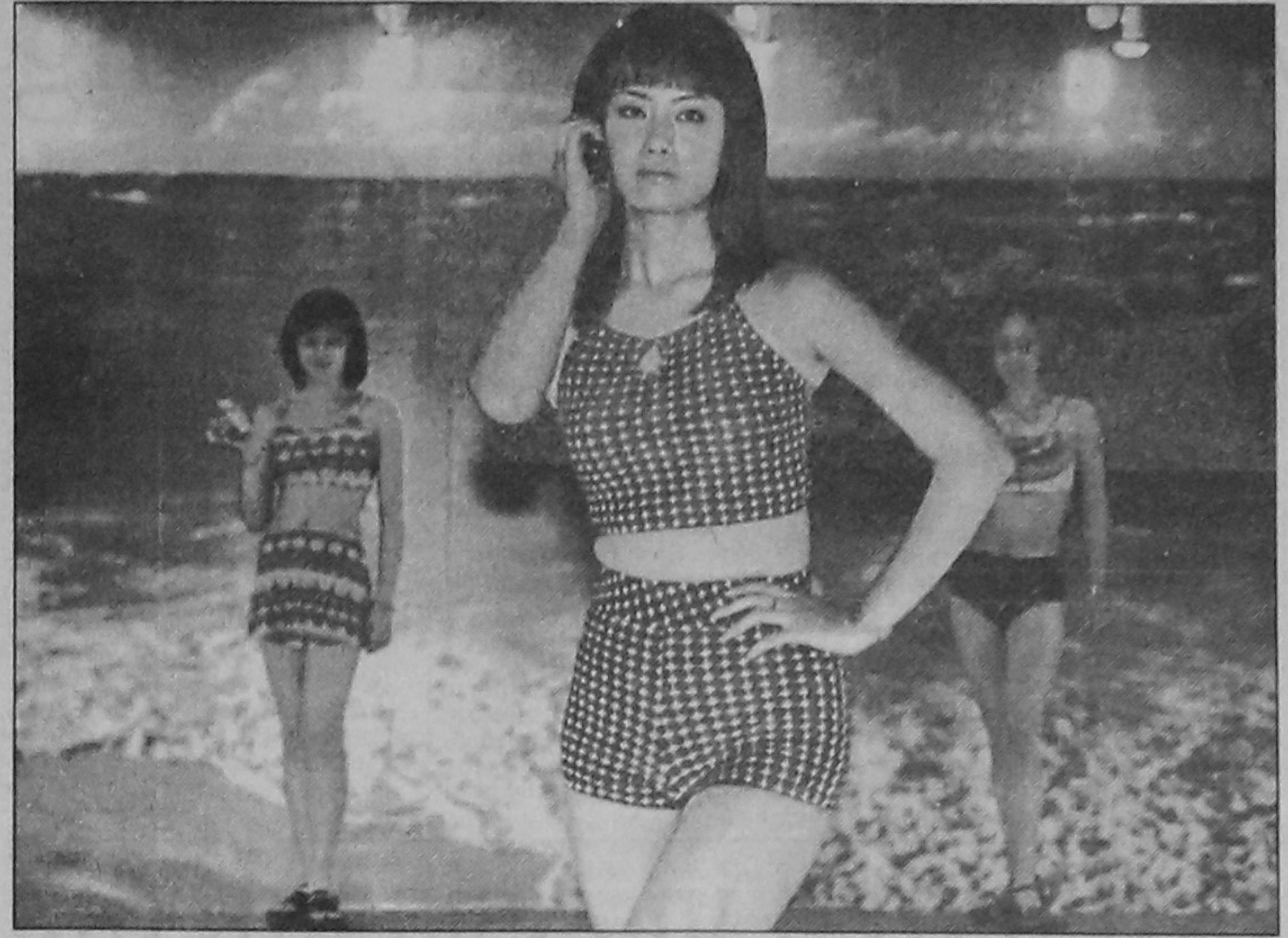
Gooch has said Lamy and his team had set no cut-off date for the current round of talks and would stay as long as the negotiations were "constructive".

Before arriving in Beijing Lamy said the fast-growing mobile telephone sector was a key issue for the EU and that he aimed for European firms to be able to take stakes of around 50 per cent in Chinese mobile phone ventures.

Meanwhile, an AP report says: Having secured an agreement with Latvia, negotiators seeking to bring China into the World Trade Organisation before year's end continued working Wednesday on winning the big prize: a deal with the EU.

The deal China signed Tuesday with Latvia left just six WTO members that have yet to sign off on Beijing's accession to the Geneva-based body that makes world trade's rules. Of those, the 15-nation EU is the most important. The others are Switzerland, Mexico, Costa Rica, Guatemala and Ecuador.

After the second day of talks Tuesday, an EU spokesman said China appeared eager for an agreement. A deal could conceivably help sway undecided members of the US House of Representatives, which next week considers a bill that would grant Beijing permanent low-tariff access to the United States, ending the current, divisive annual reviews of its trade status.



Chinese models pose with the latest brands of mobile phones at a telecommunication exhibition in Beijing on Wednesday. Access to the Chinese telecom market remains the central issue, especially the mobile phone market, as Chinese and European trade officials sat down for a third day of talks on a trade deal that would clear the last major hurdle to China's membership of the World Trade Organization. — AFP photo

LatAm poverty rate same as 1980

SANTIAGO, May 17: Latin America's poverty rate is virtually the same as two decades ago because economic advances have been repeatedly cancelled out by crises, according to a study published yesterday by a United Nations commission, reports Reuters.

At the start of 2000 more than 36 per cent of Latin American households were poor, which was on a par with 1994 and slightly worse than 1980's poverty rate of 35 per cent, the UN's Economic Commission for Latin America and the Caribbean (ECLAC) said.

"Poverty is a persistent phenomenon in Latin America and the Caribbean. There is a tendency toward its reduction, but this is interrupted with each new economic crisis," the commission, which is based in Chile, said in its report.

In the last two years Latin America suffered its latest bout of economic turmoil, sparked in part by a financial crisis in Asia, which pushed several countries into recession, and exacerbated by fallout from a Brazilian currency devaluation.

A global oil crisis also hit the region in the early 1980s.

Moore sees modest chances of new trade round this year

WASHINGTON, May 17: The head of the WTO yesterday said there was a "modest" chance global trade talks could get under way this year, although at the moment governments were still far apart on key issues, reports AFP.

"I don't see the flexibility needed on key issues to get the round up and get it running," World Trade Organization director general Michael Moore said in a videotaped message to a conference on globalisation here.

But Moore also stressed that following the dramatic collapse of multilateral trade talks in Seattle last December, "the atmosphere among delegations has improved significantly".

"Ministers are talking... Those who have benefited from the international trading system now are beginning to explain publicly why the system is important.

"So I still think there is a modest chance of a round being launched this year."

Meeting in Seattle, ministers from the 135-member WTO failed to agree on what should and should not be included on an agenda for a new round of global trade liberalisation negotiations planned for early this year.

Some of the sharpest disagreements were between the United States and the European union over agricultural export subsidies, which the EU wanted to maintain and Washington wanted to eliminate.

Developing nations charged they had been excluded from some of the key bargaining sessions and resented what they saw as an effort by rich countries to impose labour standards on them.

Asian stocks close mixed

HONG KONG, May 17: Asian stocks markets closed mixed Wednesday, with Japan and Hong Kong closing lower and other exchanges rallying on relief that a long-anticipated US interest rate hike fell within expectations, reports AP.

Tuesday's overnight rally on Wall Street also encouraged buying in some markets, analysts said.

In Tokyo, prices fell as investors sold shares that had risen in the morning on Wall Street's rise.

The benchmark 225-issue Nikkei Stock Average fell 147.22 points, or 0.84 per cent, to 17,551.25. The average had risen 1.4 per cent Tuesday.

Hong Kong shares plunged as investors feared the territory's monetary officials would increase local interest rates when they meet Friday.

The blue-chip Hang Seng Index fell 2.2 per cent, or 332.48 points, to 14,827.81. The Hang Seng had rallied 1.9 per cent Tuesday.

Hong Kong interest rates typically follow US rates closely to maintain the local currencypeg to the US dollar.

In Asia, Taipei share prices were boosted on encouraging remarks by resident-elect Chen Shui-bian.

The Weighted Price Index rallied 357.92 points, or 4.1 per cent, at 9,085.74. It was the year's third largest daily point rise.

Elsewhere:

Kuala Lumpur: Malaysian shares rose as investment funds bought blue chips. The Composite index rose 0.5 per cent, or 4.45 points, to 922.30.

Manila: Philippine stocks rose on the back of the US rate hike. The Philippine Stock Exchange Index rose 26.07 points, or 1.7 per cent, to 1,534.05.

Seoul: South Korean shares plunged amid worries that further bank reforms could rattle the industry. The Kospi index fell 19.59 points, or 2.6 per cent, to 727.18.

Singapore: Singapore shares fell, dragged down by electronic stocks. The Straits Times Index closed at 2,011.83, down 2.1 per cent, or 42.82 points.

Clinton's China bill gains ground ahead of vote

WASHINGTON, May 17: US President Bill Clinton's landmark trade agreement with China got a major boost yesterday as Republican congressional leaders finalised compromise legislation that would monitor Beijing's human rights record and key Democrats endorsed the deal, reports Reuters.

One of congress' most influential democrats — Ways and Means Committee ranking Democrat Charles Rangel of New York — announced that he would support permanent normal trade relations (PNTR) for China, boosting prospects for passage of the trade bill next week in the bitterly divided House of Representatives.

The White House also picked up support from California Democratic Representative Xavier Becerra, who sits on the Ways and Means Committee with Rangel. The committee is set to approve PNTR in a closely watched vote on Wednesday, and Rangel said he expected a "solid majority" of the panel's Democrats to follow his lead by supporting the trade bill.

Meanwhile, Republican congressional leaders said they were close to an agreement on legislation setting up a commission to monitor human rights in China after the White House warned that PNTR would likely fail without it.

"We've got two or three words we've got to resolve," said Ways and Means Committee Chairman Bill Archer, a Texas Republican.

Many House Democrats have demanded the monitoring plan in exchange for supporting PNTR which would ensure that US companies benefit from the market-opening agreement struck by Clinton in November 1999.

The legislation, proposed by Democratic Representative Sander Levin of Michigan and Republican Representative Doug Bereuter of Nebraska, would set up a commission to review Chinese policies and could recommend sanctions against Beijing as long as they were consistent with World Trade Organisation rules.

These sanctions could include a cessation of US Export-Import bank and US overseas private Investment Corp. support to China. Congress could also direct the president to oppose new loans to China from the World Bank and the International Monetary Fund.

The Levin-Bereuter plan also calls for the WTO to review China's compliance with the pact on an annual basis and urges the Geneva-based trade organisation to admit Taiwan immediately after China.

Republicans said the final sticking point was a provision that includes strengthened safeguards against import surges.

Under current law, China's trade status comes up for review each year. But to lock in the benefits of the trade agreement ushering Beijing into the WTO, the White House says Congress must do away with these annual reviews and grant Beijing permanent normal trade relations.

PNTR would guarantee Chinese goods the same low-tariff access to US markets as products from nearly every other nation. China would, in turn, open a wide range of markets, from agriculture to telecommunications, to US businesses.

To ensure passage of PNTR House Republican leaders have demanded the White House deliver 85 to 90 Democratic votes. But Commerce Secretary William Daley said it would be difficult to find more than 70 Democratic supporters, let alone 85. Democrats are under pressure from organised labour to withhold PNTR until Beijing improves human rights and labour standards.

Opponents say 139 House Democrats were committed to voting against the trade bill. They said the real battle with the White House was over a group of 21 undecided Democrats. Rangel's endorsement was a major victory for Clinton.

As a senior member of the Congressional Black Caucus, Rangel could help the administration win over undecided black lawmakers and other Democrats before the House votes on PNTR in the week of May 22.

Bob Davis, President and CEO of Lycos, speaks during the press conference announcing Lycos being acquired by Spain's Terra for 12.5 billion USD in stock. Davis will serve as CEO of the new company, to be called Terra Lycos. — AFP photo

Unemployment rate hits 20-yr low in Britain

LONDON, May 17: Britain's unemployment rate fell to a 20-year low of 3.9 per cent in April, down 0.1 per cent from the previous month, the government said Wednesday, reports AP.

Britons without jobs numbered 1,111,800, down by 28,800 from March, according to the Office for National Statistics.

The national unemployment rate was the lowest since January 1980.

The number of jobless Britons calculated according to International Labour Organisation standards, which includes people not eligible for benefits, fell 20,000 from the previous quarter to 1,713,000.

However, erosion continued in the manufacturing sector, which lost 98,000 jobs from January through March, the statistics office said.

Toyota profits jump 14 pc

TOKYO, May 17: Record export sales at Toyota Motor Corp. softened the impact of a rising yen and helped lift profits 14 per cent on the year, Japan's largest automaker said Wednesday, reports AP.

Toyota posted a group profit of 406.7 billion yen ($3.72 billion) in the fiscal year ending March 31, up from 356.1 billion yen ($3.26 billion) in the same period a year ago.

The maker of the Camry sedan and Lexus line of luxury cars enjoyed record demand in North America and other export markets, selling more than 3 million vehicles overseas for the first time ever.

Group sales rose 1 per cent to 12.8 trillion yen ($11.7 billion).

Toyota credited new model releases with stimulating consumer interest overseas as well as in Japan, where the economy remains stuck in its deepest slump in decades.

Together with cost cuts, increasing sales helped soften the impact of a stronger yen on the automaker's bottom line.

Toyota said the dollar bought an average of 111 yen during fiscal 1999, 17 fewer yen than the previous year. That meant its overseas earnings ended up worth 430 billion yen ($3.94 billion) less in yen terms than Toyota had originally forecast.

"Toyota was able to offset weak domestic conditions and a strong yen by successfully launching new products at home and abroad," President Fujjio Cho said in a statement.

"We also benefited from improved management efficiency as well as ongoing cost reduction efforts throughout the global Toyota group."

Vehicle sales rose 13.8 per cent in North America and 13.7 per cent in Europe, boosted in the latter market by brisk sales of the new Yaris subcompact. In Japan vehicle sales rose 12.9 per cent, helped by the revamped Crown luxury sedan and Estima minivan models.

For the year through March 2001, Toyota is forecasting worldwide sales of 5.51 million vehicles, up from 5.18 million.

Philippines follows US Fed rate hike

MANILA, May 17: The Philippine Central Bank raised its key interest rates by 0.50 percentage point Wednesday in an attempt to prevent investment funds from flowing out of the country and support a sagging peso following a similar rise in US interest rates, reports AP.

The central bank's decision to raise its overnight borrowing rate to 9.50 per cent and its lending rate to 11.25 per cent had a mixed effect on Manila's financial markets.

Stocks advanced on Wall Street's overnight gains and relief that the rise in US interest rates was within expectations. The 30-company Philippine Stock Exchange index rose 26.07 points, or 1.7 per cent, to 1.534.05.

But weak regional currency markets and fears that higher Philippine interest rates could constrict economic growth weighed on an already ailing peso, with the dollar hitting an intra-day high of 41.690 pesos, its highest level since touching 42.120 pesos on Oct. 26, 1998.

The central bank's key policy rates were last increased on April 27 by 0.23 percentage point in an attempted pre-emptive move against the US Federal Reserve's rate increase.

Analysts said if it were not for the poor state of investor confidence in the Philippines, the central bank would probably have raised its rates by only a quarter point Wednesday to keep spreads on peso investments competitive.

Philippine Central Bank Governor Rafael Buenaventura said the adjustment was necessary to discourage funds from shifting out of peso investments into dollar investments after the US raised interest rates.

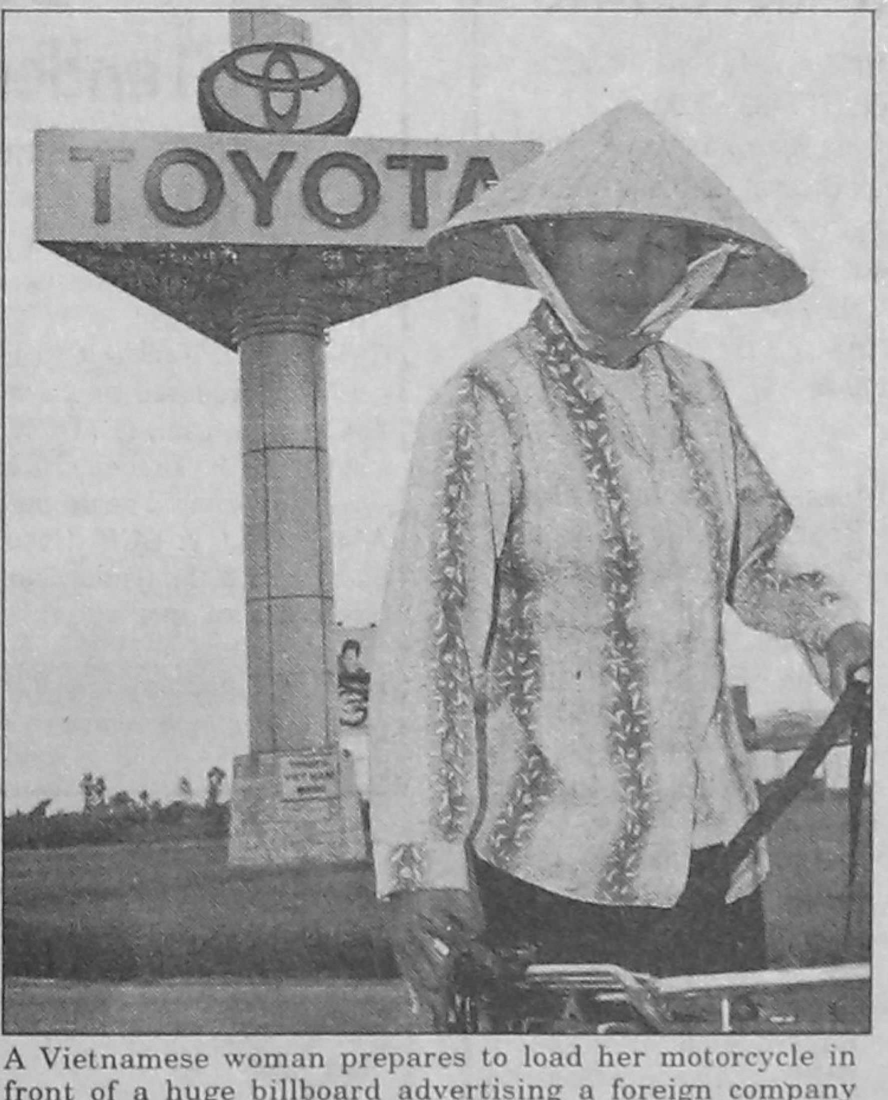
With the peso already under pressure from perceptions that the country is a high political risk, a further outflow of funds chasing higher yields elsewhere would almost certainly have pushed the peso even lower.

Buenaventura, who is accompanying President Joseph Estrada on a state visit to China, said the increase in policy rates shouldn't trigger higher bank lending rates.

"Any increase in bank lending rates isn't justified," Buenaventura told Dow Jones Newswires, noting that banks' credit growth remains subdued and that there is ample liquidity in the financial system.

Even with the Fed meeting now out of the way, currency watchers are generally skeptical that the peso will strengthen much since investor confidence in the Philippines is likely to remain low.

A hostage crisis involving 21 Asians and Westerners being held by Muslim rebels in a southern Philippine jungle and an escalating armed conflict between government forces and Muslim separatists are also casting the Philippines in a poor light internationally.



A Vietnamese woman prepares to load her motorcycle in front of a huge billboard advertising a foreign company on the outskirts of Hanoi on Wednesday. The National Assembly Tuesday rushed through changes in the existing Foreign Investment Law in a bid to halt the decline of foreign investment in Vietnam. — AFP photo

Manila reports 36 pc annual rise in trade surplus

MANILA, May 17: The Philippines reported a 35.6 per cent annual increase in its first quarter trade surplus yesterday but economists said while the data was consistent with moderate growth, it was unlikely to overcome depression in local financial markets, reports Reuters.

They said investor sentiment was being driven by the conflict with Moslem rebels in the south, a slight slowdown in manufacturing and worries about the capabilities of President Joseph Estrada.

The trade surplus and the positive sign that it came despite an increase in imports were not enough to overcome the other factors, the economists said.

The current account surplus is shrinking despite the positive trade balance, while the capital account is being affected by a drop in portfolio investments, they said.

The National Statistics Office said the trade surplus in the first quarter was $732 million against $540 million in the year-ago period. Imports in the first quarter were at $7.876 billion against $7.313 billion.

In March alone, imports were at $2.742 billion against exports of $2.989 billion, yielding a surplus of $247 million. That compares with a surplus of $46 million in March 1999 and $419 million in February this year.

"They (the figures) were more or less in line with the pattern of the past couple of quarters, showing trade growth consistent with moderate economic growth overall," said David Cohen, chief macroeconomic forecaster for MMS/Standard & Poor's in Singapore.

But the release of the data did little to pull local financial markets out of the doldrums. The peso slipped to a 23-month low in early trade on Wednesday despite a 50 basis point increase in overnight and other central bank rates, which was announced in line with the rise in US rates on Tuesday.

Bankruptcies up 34pc in Japan

TOKYO, May 17: Corporate bankruptcies in Japan rose for the sixth straight month in April, climbing 34 per cent year-on-year to 1,562 and further failures seem virtually unavoidable, a credit research firm said today, reports Reuters.

Analysts said the soaring bankruptcies would bring short-term pain for the economy by pushing up Japan's record-high 4.9 per cent jobless rate.

But many agreed on the eventual benefit of such harsh conditions, which signal Japan Inc is biting the bullet to foster much-needed structural changes to boost competitiveness and promote sturdy long-term growth.

"I would dub (the soaring trend) creative destruction," said Tomoko Fujii, an economist at Nikko Salomon Smith Barney. "We don't have to be too pessimistic about the labour market, which is now flashing mixed signals."

Total debt held by firms that went bust last month dropped two per cent to 945.94 billion yen ($8.64 billion) from a year ago, but jumped 46.3 per cent from the previous month, leading credit research firm Teikoku Databank said in a monthly report.

"Corporate bankruptcies will continue to grow," it warned, adding that firms that have been mired amid stagnant sales and saddled with huge debts may have no choice but to go under.

Teikoku Databank reported the number of bankruptcies in April posted double-digit year-on-year growth in most major sectors including manufacturing, wholesale, retail, transport, telecommunications and services.

High-priced commodities bring hope to E Europe

MUNICH, May 17: There is always a good side to everything negative. Consumers are groaning under the burden of the high oil prices which even hit the 30-dollar-per-barrel mark again on the New York Mercantile Exchange (Nymex) at the beginning of the week, says AP.

However, the high listings for crude, palladium and other commodities have brought a silver lining to a part of the world in which there seemed to be absolutely no way out a year ago. Russia and a few other states that have succeeded the former Soviet Union appear to be gaining more from the bullish commodities market than from all credit programmes.

If the statistics are taken at face value, then Russia has even recorded first quarter growth of 6.8 per cent this year. The European Bank for Reconstruction and Development (EBRD), which is responsible for economic aid to Eastern Europe now has revised upwards its growth estimates for the former Soviet republics, now respectably known as the Commonwealth of Independent States (CIS).

In its updated report for the former eastern block released on Tuesday, the bank estimated growth in the region at 2.4 per cent in 1999 after a decline of 1.1 per cent the previous year. Russia, for instance, posted the highest growth rate since the sweeping changes of more than a decade ago at over three per cent. "It is the most surprising development in the entire region," EBRD chief economist Ricardo Lago said. The bank even predicts Russia's real gross domestic product (GDP) to advance by 4.0 per cent and that of the region as a whole by 3.6 per cent this year.

The most important reason for this is indeed likely to be found in the raw materials sector where revenue has more than trebled in some cases compared with the turn of the year 1998-1999. This also has the effect of attracting a slightly higher flow of foreign capital to the former Soviet states once again helping to boost investment.

One example is the loan of nearly 139 million dollars that the EBRD granted to Russian multinational oil company Lukoil at the beginning of this week. The sum might sound modest to the West where mergers worth billions are on the daily agenda. However, in a country with an annual per capita income of less than 1,400 dollars, such loans are perceptible.

Russia's rouble crisis today presents itself considerably differently to Western economists than at the beginning: The Russian central bank had kept the national unit at a ridiculously high level up to summer 1998 in order to put a damper on inflation and attract capital from abroad. The plunge in the rouble was all the greater in August. Many Western banks and investors burned their fingers; from then on Moscow seemed to have been cut off from Western capital.

In the meantime, however, there is evidence that the fall of the rouble also had positive effects. Russian companies suddenly became competitive again against imported products on the domestic market, they are making higher profits since then and are able to invest and generate employment

The higher competitiveness also has been displacing the bad and often inefficient practice of barter transactions. In addition, the central bank was able even to reduce the astronomically high interest rates thus reviving the economy. In short, the decline of the rouble undoubtedly caused grave damage to the confidence of foreign investors — but most of all on the part of those who only wanted to make a fast dollar in Moscow.

Others such as Deutsche Bank or the EBRD were not as strongly affected and the currency crisis seems more to have benefited the Russian economy.

Nevertheless, growth in the former Soviet Union stands on a weak foundation. Corruption, crime, vague and chameleon — like laws as well as obsolete conglomerates from the Socialist era are impediments to increased prosperity.

The situation in the social welfare sector is more than terrible. In Ukraine, which is almost bankrupt and hardly endowed with natural resources, GDP today stands at about 600 dollars per head and year — just 37 per cent of the 1989 level. And the defenceless such as the elderly, whose pensions are not adjusted to the inflation rate, continue to bear the major burden of the crisis. All in all, the latest numbers are still nothing more than a thin ribbon of silver.