

WB warns APEC of lurking risks

Soft landing in equity markets, lower oil prices suggested

BANDAR SERI BEGAWAN, Sept 8: High oil prices and inflated equity markets are potential risks that could derail the remarkable turnaround of crisis-hit Asian economies, the World Bank said yesterday, reports Reuters.

Cautioning against complacency, the Bank told a meeting of finance deputies from the Asia-Pacific Economic Cooperation (APEC) forum the region needed sustainable demand in industrial economies, a soft landing in equity markets and lower oil prices.

The officials were meeting ahead of an annual gathering of APEC finance ministers taking place in Brunei this weekend. The group's 21 members account for 60 per cent of world gross domestic product and 45 per cent of world trade.

While the overall tone of talks was upbeat, with member economies and multilateral agencies

highlighting the positive economic backdrop and policy steps taken by Asian governments, several officials noted that much needed to be done.

"Recovery has reflected the self-correcting properties of market economies," the Asian Development Bank (ADB) said in a report presented at the meeting.

"Other things being equal, recovery has happened more quickly where there has been a consistency and predictability and where country economic managers have enjoyed a high degree of credibility," it said.

In laying the groundwork for the weekend meeting, finance deputies discussed issues including strengthening corporate governance, managing bank failures and extending an APEC-ADB-funded training programme for financial regulators for another two years.

A New Zealand-led initiative to promote freer and more stable

capital flows also featured prominently, but formal dialogue on the process is only expected to begin in the second half of next year.

Dubbed the Voluntary Action Plan, the initiative draws on lessons from the 1997 crisis and examines how transparent, credible economic policies and the strengthening of financial markets can minimise the risks of cross-border capital flows, the APEC secretariat said in a statement.

Twelve core standards identified by the Financial Stability Forum, formed by Group of Seven nations in the wake of the Asian crisis and collapse of hedge fund Long-Term Capital Management, will provide a framework for APEC economies to assess their policies, it said.

More than three years since the crisis erupted, the management of short-term capital flows and highly-leveraged institutions remains a key concern for gov-

ernments that witnessed huge speculative attacks on their currencies, bringing an abrupt end to the era of Asia's 'miracle economies'.

"The APEC economies share a common interest in building a strong and safe system for global capital flows," a Southeast Asian central bank official told Reuters as the meeting got under way on Thursday.

"We are concerned about the highly leveraged financial institutions and want more prudent liquidity and risk management measures to stabilise hot money flows," the official said.

A Taiwan finance ministry official said most APEC economies had given a positive assessment of their own progress on reform, while multilateral agencies like the IMF had highlighted the risks of complacency on managing bank failures, led by New Zealand and Mexico, had won

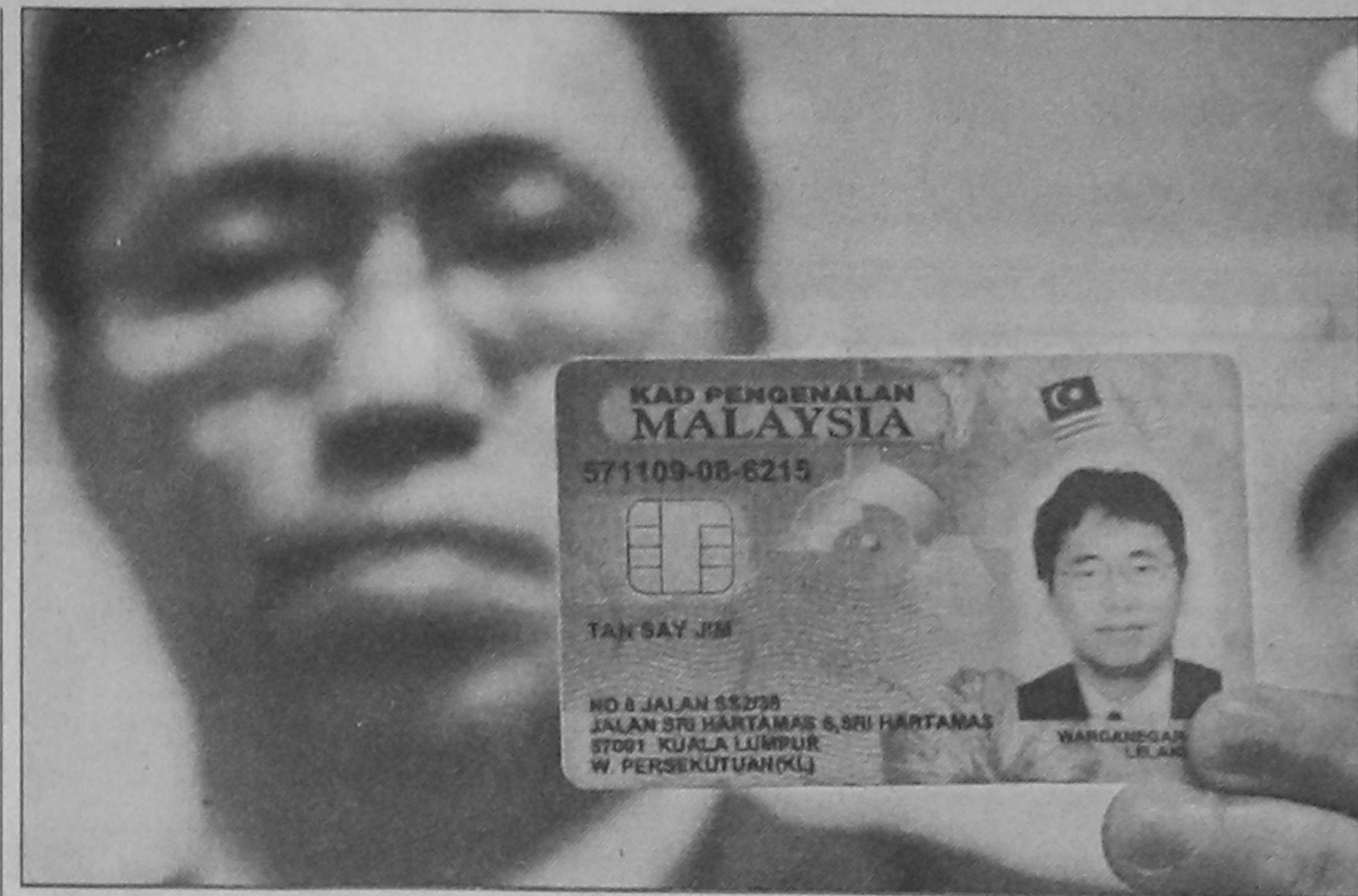
widespread support, notably from Taiwan, Thailand and Indonesia.

Asia's unexpectedly speedy recovery continues to be marred by the slow restructuring of non-performing loans and debt-ridden banks, particularly in crisis-hit Southeast Asia, keeping countries like Thailand, Indonesia and the Philippines off investors' radar screens.

A senior Brunei finance ministry official told Reuters the finance ministers' meeting was likely to address such concerns.

"There will be a political commitment by the finance ministers to carry on with reforms. They realise that reforms have benefited in turning around their economies," the official said.

Other officials said Singapore expressed concern about the strength of the Asian recovery and prodded member economies to implement financial sector reforms to strengthen markets.



A man displays his new multi-purpose Malaysian identity card at the Multimedia Super Corridor Expo in Kuala Lumpur yesterday. The new identity card issued by the government, to be launched soon, comes with a computer chip which stores information including the owner's driving licence, passport and health information and also acts as an ATM card. --AFP photo

Japanese growth may taper in coming months

TOKYO, Sept 8: Japan's chief economic planner on Friday predicted the economy would record another expansion for the April-June quarter but warned that growth could taper in the coming months, says AP.

Taichi Sakaiya, head of the Economic Planning Agency, said he expects gross domestic product the total value of goods and services produced to rise for a second straight quarter.

The government is scheduled to release the new GDP figures on Sept 11. Private sector economists surveyed by Dow Jones and a leading business daily have predicted a 0.7 per cent jump from the previous quarter.

GDP grew 2.5 per cent in the January-March quarter from the previous quarter, up from its preliminary estimate of 2.4 per cent.

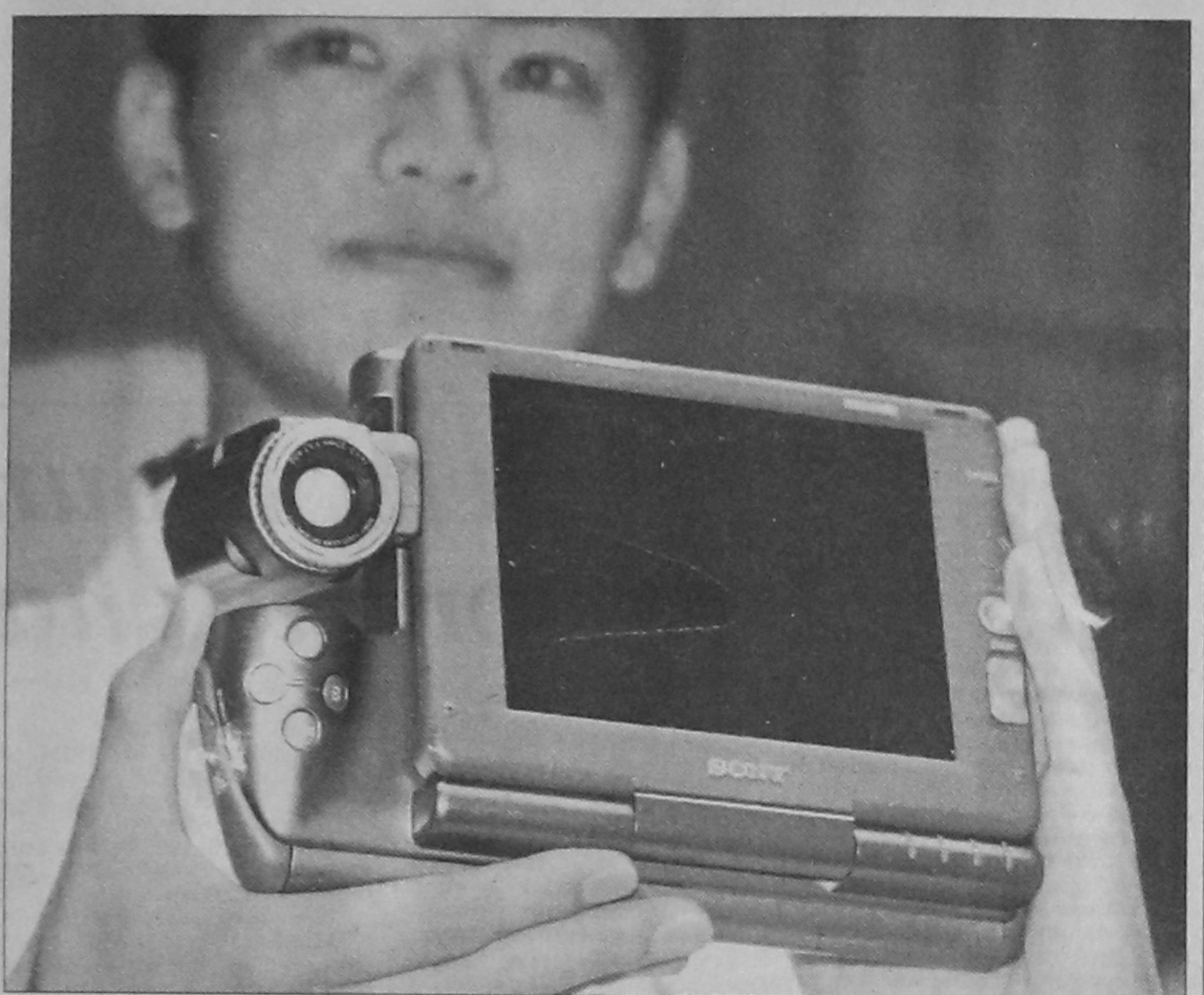
The Japanese economy is struggling to right itself after its worst downturn in the post-war era.

Positive signs have emerged, although much of the growth has come from massive government borrowing for roads, bridges and other public works projects.

Amid the latest optimism, Sakaiya noted some areas for concern: slower growth in capital expenditure by companies from April to June and still-shaky consumer spending.

"It will be difficult for the growth of the first half of the fiscal year to continue in the second half," Sakaiya said.

The current fiscal year runs through March 31, 2001.



A man displays Japan's electronics giant Sony prototype model of new notebook computer VAIO GT equipped with a full-featured video camcorder on its small body at Sony's computer trade show VAIO Expo in Tokyo yesterday. Sony is expecting to place it on the market early next year with the Dream VAIO to make video images public over the Internet on a real time basis. --AFP photo

US stores to prohibit sale of violent games to youths

WASHINGTON, Sept 8: Young people in the United States itching to wreak virtual havoc via their Playstation will have to bring along a parent if they want to buy a violent video game from some major retailers, says AP.

Kmart, one of the United States' biggest retail chains, announced Thursday it will refuse sale of some games to anyone under 17, using a barcode scanner that will prompt cashiers to ask for identification from youths.

After Kmart's news conference in Washington, another large retailer, Wal-Mart, announced it would enact the same policy. In a letter last month, the president of the large US toy store chain, Toys R Us, said the practice is already in place at his company's stores.

Several US lawmakers applauded the moves, though at least one said he would prefer that retailers stop selling violent games altogether.

France, UK slam proposed new US tariff on European goods

NEW YORK, Sept 8: French President Jacques Chirac and British Prime Minister Tony Blair yesterday attacked proposed new US punitive tariffs on European goods in long-running trade disputes over bananas and beef, says Reuters.

Chirac, whose country holds the presidency of the 15-nation European Union, said the attempt to impose revolving tariffs was a form of 19th century "gunboat diplomacy."

"I am totally hostile to these American methods initiated by Congress, known in this case as the carousel, which are much closer to gunboat diplomacy than to 21st century diplomacy," Chirac told a news conference.

British officials said Blair had told US President Bill Clinton that any decision to impose retaliatory duties on goods from Britain would be "wholly unjustified."

White House officials said this week they would soon announce how the United States would revise its retaliation on \$308.2

million worth of European Union products in two separate trade disputes involving beef and bananas.

The Wall Street Journal reported on Wednesday that US authorities would announce within days a new list of EU products subject to 100 per cent tariffs and slap a 200 per cent rate on French mineral water and luxury Louis Vuitton luggage.

Chirac vowed France would not yield in the banana dispute "because we have interests in our overseas territories which touch the lives of tens of thousands of people, and because we intend to respect our duty towards African countries."

"It would be a real pity if a few days before the EU-US summit, the climate of transatlantic relations, which is otherwise good, was burdened by actions that are clearly contrary to World Trade Organisation (WTO) rules," he said.

A spokesman for Blair said the British leader detailed EU objec-

tions to possible punitive trade action by Washington in a meeting with Clinton late on Wednesday on the sidelines of the UN Millennium Summit in New York.

The spokesman said Blair set out the EU's current position for a potential resolution in conformity with WTO rules and warned against US retaliation on British products such as cashmere clothing and shortbread.

He did not describe Clinton's response to Blair's plea, but said discussions were continuing.

The Clinton administration is considering adding Scottish cashmere to the list of goods hit with 100 per cent duties in the dispute over the EU's banana import regulations.

But the Wall Street Journal reported on Wednesday that in deference to Blair, who has lobbied Clinton on the issue, any increased duties on cashmere would be delayed until Nov. 15 to give negotiators more time to resolve the banana dispute.

Oil prices too high, Clinton tells Saudi prince

NEW YORK, Sept 8: President Bill Clinton said yesterday he told Saudi Crown Prince Abdullah on Wednesday that oil prices are "too high" and urged OPEC to take appropriate action, says Reuters.

"I told him that I was very concerned that the price of oil was too high, not just for America but for the world, that if it was to cause a recession in any part of the world that would hurt the oil-producing countries," Clinton told reporters during a picture-taking session with South Korean Prime Minister Kim Dae-jung.

"There were other reasons why it's not in our interest, and he agreed with that, he's been very strong about that," Clinton said.

Clinton met Abdullah on Wednesday night at his hotel. He said he urged OPEC to take "appropriate action" at its upcoming meeting along the lines of a previous commitment to increase output to bring down the price of oil.

"I hope that they will," he said.

He did not confirm a report that the crown prince promised Clinton that the Saudis will raise output by 700,000 barrels per day.

JOBS holds TOT on entrepreneurship development

The JOBS Project's Training of Trainers (TOT), conducted by MIDAS, ended recently, says a press release.

A core group of enterprise development workers was trained to train selected clients of Proshika's Seed Programme on Entrepreneurship Development and Business Management.

The training, designed to foster grassroots-level development of entrepreneurs, is part of the JOBS Project's Micro Enterprise Development Programme.

Reid Lohr, Project Director, distributed certificates among the participants.

Zainab Akhter, Deputy Project Director, and SM Shahidullah, Senior Training Specialist from JOBS Project, were present at the closing ceremony.

Abdul Karim, MD, Golam Sarwar Bhuiyan, GM, MIDAS, and Rafiqia Akhter from Proshika also attended.

JOBS plans to hold similar TOTs for interested groups in the future with an aim to develop a strong resource base, strengthen facilitation skills, improve management capacity and provide counselling on entrepreneurial development.

Oil off 10-year high in Asia as S Arabia vows market control

OPEC meets in Vienna tomorrow

SINGAPORE, Sept 8: Surging global oil prices took a breather in Asia today, as supply giant Saudi Arabia vowed to seize control of the market, which remained near post-Gulf War highs ahead of a key weekend meeting of oil cartel OPEC, reports Reuters.

Benchmark New York Mercantile Exchange (NYMEX) October crude futures fell from Thursday's 10-year peaks of \$35.46 a barrel, but remained high ahead of a meeting of the Organisation of Petroleum Exporting Countries (OPEC) on output in Vienna on Sunday.

The NYMEX contract was last traded at \$35.06 a barrel by 0553 GMT, 33 cents lower than Thursday's settlement in New York.

But prices remained sky-high, spelling agony for many oil importing countries and raising fears of a US heating oil supply crunch this winter.

The World Bank said on Thursday in Brunei that high oil prices and inflated equity markets are potential risks that could derail the remarkable turnaround of crisis-hit Asian economies.

High fuel costs have stirred protests this week from French farmers to US politicians, while

world leaders in Europe, Asia and Africa have called them a menace to their economies.

Undeterred, London Brent crude surged for a fourth straight day on Thursday to settle at \$34.55, up 27 cents over the day before.

It set a fresh 10-year intraday high of \$34.60.

Strong words on Thursday from Saudi Arabia, the only world producer with significant immediate spare crude reserves, helped arrest the week's rally but failed conclusively to reverse market direction.

"It may knock it down a bit, but not down to the (\$20) levels as they want," one analyst in Hong Kong said.

"There is very little OPEC can do because strength is from fear of a heating oil shortage."

Saudi Crown Prince Abdullah told US President Bill Clinton in a meeting that it intended to pump enough oil to bring crude prices back down to \$25 a barrel, sources said.

"Saudi Arabia will come through. Everybody knows we want \$25 a barrel. We're not equivocating on this," a source familiar with the recent meeting

told Reuters on Thursday.

But he did not confirm reports that Abdullah has said OPEC was looking to raise output by 700,000 barrels per day (bpd), or three per cent, when it meets.

Saudi output after this weekend will probably top nine million bpd, the kingdom's highest production in 20 years.

The rest of the 11-member Organisation of Petroleum Exporting Countries (OPEC), which controls world supply, were more cautious.

OPEC is trying hard to avoid a price slump, a nightmare for the cartel as it prepares for its 40th anniversary this month.

So far, members have touted a modest 500,000 bpd output hike figure but an OPEC source told Reuters on Thursday that "all options are open."

Oil is expected to simmer as the latest reports still put US heating oil stocks at low levels.

The US Department of Energy's (DOE) statistical arm said on Thursday that US output of petroleum products in August was at record highs, but then so was demand.



Participants of the TOT conducted by MIDAS and organised by JOBS on 'Entrepreneurship Development and Business Management' pose with their certificates at the training's closing ceremony. Also seen in the picture are Reid Lohr, Project Director, and SM Shahidullah, Senior Training Specialist of JOBS. --JOBS photo

Qatar short of hard cash as it strives to cut debt burden

DOHA, Sept 8: Surging oil prices and rising gas revenues are improving Qatar's budget and current accounts, but the Gulf Arab state is still short of hard cash as it strives to cut its debt burden, bankers and economists said yesterday, reports Reuters.

"The domestic market remains lifeless, although externally financed oil, gas and petrochemical projects are going apace," one banker said, adding the government's priority was to repay debt and boost reserves.

The government's external debt stands at \$7.3 billion 60 per cent of the revised 1999 GDP of which \$5.4 billion is direct debt and the rest is government guaranteed public sector debt.

"There will be no loosening of the purse-strings until the worst of the country's external debt repayments are over," said an official at the Ministry of Finance, Economy and Trade.

Official projections estimate Qatar has to pay \$1.15 billion this year and \$1.6 billion next year on debt servicing.

Weak euro, costly oil, but Europe's growth still seen okay

FRANKFURT, Sept 8: Europe's common currency flounders to fresh lows and oil looks stubbornly anchored above \$30 per barrel. Does it matter for jobs or growth? The answer is probably not, reports Reuters.

Economists said that growth forecasts for next year would be intact, or might be trimmed by a couple of tenths of a percentage point at worst, regardless of the outcome of Sunday's OPEC meeting and with the outlook for the euro remaining grim.

The main risk is what happens to inflation, particularly if the euro keeps falling, and what the European Central Bank does in response after it has already hiked interest rates six times since November.

"You would be surprised, but the difference to growth would be almost nothing," said Holger Schmieding at Merrill Lynch.

Merrill reckons that the export boost created by the softer currency would offset oil's impact on domestic demand. As a result, Schmieding is leaving his forecast for 3.2 per cent GDP growth

next year intact.

Other economists warn that timelags between when oil prices hit real consumption and the weaker euro boosts exports could challenge this estimate. But the outcome would be still not be terribly dramatic.

Dresdner Kleinwort Benson economist Eckhard Schulte estimated that the fallout for GDP growth next year would be between 0.1 and 0.2 percentage points, because higher oil prices would hit real disposable incomes and depress domestic demand.

"It is true that to some extent oil and the euro would offset each other, but because of the timelags we'd probably have to revise down our 2001 growth forecasts to 2.75 per cent from 2.9 per cent," he said.

The main danger of persistently higher oil prices and a weak euro is the outlook for consumer inflation.

CSFB estimates that an oil price at \$35 per barrel for 15 months and the euro at \$0.87 would lift headline inflation to 2.3 per cent next year from its estimate of 2.2

per cent in 2000.

The Fed has tolerated modestly higher inflation levels than in Europe because of its confidence that new technology enhancement would allow the US economy to grow at a quicker pace than it had in the past without a boom leading to a bust.

Duisenberg has been far less forthright than Greenspan in crediting the new economy with lifting productivity and the ECB has been quick to act against inflation.

It has hiked interest rates by two percentage points since last November to ward off higher prices stoked by the weak euro and a tripling in world oil prices.

The ECB is pledged to maintain price stability over the medium term and Ernst Welteke, boss of Germany's Bundesbank, stressed on Thursday that this commitment was not wavering.

Euro zone inflation is currently 2.4 per cent, significantly above a self-imposed ECB target of two per cent but a long way beneath the 3.5 per cent levels tolerated by the Fed in the pursuit of higher

US growth.

"Greenspan is comfortable with 3.5 per cent but the ECB is a new central bank. It has an explicit mandate and it is likely to be more fazed by inflation than the Fed," said Callow.

The ECB's central responsibility under European Union law is to preserve price stability over the medium term a mandate it is free to interpret.

This means that it could decide to permit high inflation for a period of time in order to shelter the regional economy.

"Does the ECB allow inflation to stay above target for a couple of years, for the best of reasons like an external shock, or does it fight with monetary policy, with the risk of killing the current economic upswing," said Merrill's Schmieding.

An AFP report says: Soaring oil prices are expected to distract attention away from the formal agenda of the APEC finance minister's meeting in Brunei.

China insists Taiwan should join WTO as its part

BEIJING, Sept 8: China insisted yesterday Taiwan should join the WTO as a part of Chinese territory, raising concerns that China's entry to the trade body could be stalled due to disagreements over the matter, says AFP.

Foreign Minister spokesman Sun Xuxi said China has always supported Taiwan joining the international trade body, but only as a part of China.

"The Chinese side has a consistent and clear position, that is Taiwan can join the WTO (World Trade Organisation) as a separate custom territory of China," Sun said.

He claimed that a 1992 presidential statement of the General Agreement of Tariffs and Trade (GATT predecessor to WTO) agreed Taiwan could join as a separate Chinese territory.

"In 1992, the presidential statement of GATT has already stipulated this and this should be observed by all sides," Sun said during a press briefing.

The issue threatens to complicate the final stages of China's 13-year bid to join the WTO as US

President Bill Clinton on Wednesday said he objected to China claiming sovereignty over Taiwan in documents pertaining to its WTO membership. "We have advised the Chinese that such language is inappropriate and irrelevant to the work of the working party and that we will not accept it," Clinton said in a letter to Arizona Senator Jon Kyl.

Joseph Cheng, a political analyst at Hong Kong's City University, said claiming Taiwan as a part of China in the WTO documents is an attempt by Beijing to gain an upperhand in its struggle to get Taiwan president Chen Shui-bian to go along with its position.

"It's an issue which Beijing can have an advantage because everybody wants China to join WTO and after joining," Cheng said.

The issue threatens to be an explosive one as the upcoming US presidential election approaches, but Beijing is willing to take the chance, Cheng said.

"In the eyes of the Chinese leaders, the one-China principle

is much more important than the timing of entering WTO," Cheng said. "Beijing is willing to accept a bit of delay (in joining WTO)."

A trade official in Taiwan on Thursday disagreed with Sun's claims.

He told AFP that in the 1992 GATT statement, a majority of GATT members agreed Taiwan should be admitted into the body after China as a "separate customs territory" but not as a "separate customs territory of China."

However, according to a summary in the WTO website of how the 1992 GATT agreement was reached, all GATT members had acknowledged that there was only one China, although the agreement did not refer to Taiwan as a separate customs territory "of China."

"I think in 1992, the government in Taiwan still accepted the one-China principle, so that was not an issue," Cheng said.

Taiwanese president Chen has refused to accept the principle, under which Beijing claims Taiwan is a part of China, but has agreed to discuss it with Beijing.