

# Nepal, China have further co-op building potential

## Nepalese Chamber chief says

KATHMANDU, Dec 24: Nepal and China, as close and friendly neighbours, have great potentialities in further developing economic cooperation which has not yet been fully tapped, a Nepali business leader told Xinhua recently.

As China is an emerging economic power in the world while Nepal is endowed with rich and untapped natural resources, the combination of Chinese capital and technology with Nepal's abundant resources will benefit enormously to both countries, Pradeep Shrestha, president of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), told Xinhua in a recent interview.

"Agriculture and forest based industries, hydropower, tourism, medicinal herbs and pharmaceutical, construction material, transportation, banking and financial institutions are among the important areas where Nepal offer best opportunities for investment," Shrestha said.

Bilateral trade between China and Nepal has seen steady development since the formal establishment of diplo-

matic ties between the two countries in 1955 and has witnessed rapid expanding after 1995 when Chinese President Jiang Zemin paid a state visit to Nepal and the two governments agreed to further promote good-neighbourly partnership between Nepal and China.

Statistics shows that trade volume between China and Nepal reached 67.74 million US dollars in 1997, an increase of 68.7 per cent over 1996. The figure soared to 220 million US dollars in 1999, a sharp rise of over 200 per cent compared with 1998.

However, despite the rapid expanding of bilateral trade, Nepal-China trade and commerce dealings are minimal so far when compared with Nepal's total trade volume, accounting for less than 10 per cent, Shrestha said.

China's investment in Nepal is also very low and there are only about 20 Chinese joint ventures in Nepal, focusing on food and food-processing sector, he added.

Shrestha attributed this situation to, among other reasons, lack of orientation and information for businessmen of

both countries, lack of infrastructure and facilities mainly on the Nepali side for joint ventures and business transactions and difficult accessibility to Nepal, which is a landlocked country.

Encouragingly, the fourth meeting of Nepal-China Non-governmental Cooperation Forum (NCNCF) that was held early this month in Wuxi of China have been successful in solving some of the problems and "I think we would be able to find solutions of many of our problems in the days to come," said Shrestha, who returned from the meeting days ago.

NCNCF was established in 1996 with the aim to promote nongovernmental cooperation, especially the cooperation between business sectors of the two countries. NCNCF meeting is held once a year in Nepal and China by turn to discuss issues and problems accordingly.

Shrestha considered the newly-concluded NCNCF meeting successful in charting out the strategies for enhanced trade, investment and overall economic cooperation between Nepal and China and described

it as a milestone in strengthening the cooperation in tourism and identifying suitable projects for joint venture investment.

"The deliberations and discussions during the meeting have greatly helped us suggest our respective government the areas for policy reforms and needful arrangements on various issues that impinge on bilateral trade," he said.

The meeting decided on areas of future cooperation, such as agriculture, IT sector, solar and hydropower, training of professionals and regular exchange of business delegations, according to a press release by FNCCI, an apex body of Nepal's business sector.

Some helpful initiatives, such as setting up an export processing zone near Nepal-China border, opening additional trade routes between Nepal and Tibet Autonomous Region of China and working out a transit agreement between the two countries, will be discussed or even substantiated during the fifth NCNCF meeting to be held in Nepal next year.

# UNGA okays major budget revamp

UNITED NATIONS, Dec 24: After bitter and arduous negotiations, the 189-member UN General Assembly approved on Saturday a major revamp of UN finances that includes a cut in US payments to the world body for the first time since 1973, says Reuters.

"Now we are there, we are home," UN Secretary-General Kofi Annan said shortly before Assembly President Harri Holkeri of Finland brought down the gavel.

The assembly's decision was the last in a chain of events that began months ago and ended in marathon negotiations over the past two days.

Wary delegates awaiting their holiday recess cheered loudly once a deal was announced in a basement room that French ambassador Jean-David Levitee said "gradually became a dormitory, then a torture chamber."

But during speeches before and after the vote, friends and foes of the United States, who will see their payments to the world body rising substantially, made clear they now expected Washington to pay its more than \$1.3 billion in arrears on time and without conditions.

"The United States has moved the goal posts so many times in the past. If it does so again, there will be tremendous disappointment," Singapore ambassador Kishore

Mahubani said.

The US reductions were part of a revamping of UN financing, under which Russia and 18 developing nations, including South Korea, Brazil and Singapore, agreed to pay more to bridge the gap they left.

The deal almost fell through when South Korea early on Saturday demanded a cut in its share of the budget, which would have necessitated recalculating all other countries' payments.

But those demands were dropped after telephone calls to Seoul's foreign ministry by Annan, US Secretary of State Madeleine Albright and Holbrook, who has spent his 16 months as US ambassador to the United Nations lobbying for a deal.

"Most people thought it was Mission Impossible," Holbrook said. "And I think we can say Mission Substantially Accomplished."

The new agreement is expected to go far toward ending a confrontation between the US Congress and the world body which has been festering for years.

Even allies of the United States have repeatedly criticised Washington for the debt, resulting in part from 1999 congressional legislation that imposed conditions, such as cutting US dues, in return for payment of the arrears.

This agreement should remove a major source of tension," Annan said. "We now look forward to normal and constructive relations with the United States administration."

Under the accord, the American share of the \$1.1 billion annual administrative budget of the United Nations will be cut to 22 per cent from 25 per cent, as congress has demanded.

A second congressional mandate was that the US share of the estimated \$3 billion fluctuating annual UN peacekeeping budget be reduced to 25 per cent from some 30.5 per cent.

The agreement reached for peacekeeping costs, however, was about 26 to 27 per cent, somewhat higher than Congress mandated. This means the Clinton administration before it leaves office in mid-January, will have to convince Congress to agree to an amendment to the legislation on UN arrears.

More than \$72 million, the second of three payments that could total \$926 million, can be paid to the United Nations next year by Congress following the cut in US payments.

The United States was fairly certain it had clinched the accord at a pre-dawn Friday session after last minute intervention by billionaire Ted Turner, founder of CNN television, who

offered Washington \$34 million.

Turner's unusual gift would pay for one year's gap left by the reduction of the US dues in the UN administrative, but not the larger peacekeeping budget.

Holbrook said he had discussed the accord with retired Gen. Colin Powell, President-elect George W. Bush's choice secretary of state.

Delaware Sen. Joseph Biden, the ranking Democrat on the Senate Foreign Relations Committee, chaired by Republican Senator Jesse Helms, told reporters by telephone, "It's a very good deal. It's win-win for everyone."

He said the only thing that could unravel the accord would be a rejection by the Bush administration. But "I can't imagine them not embracing it," he said.

The UN assessments are based mainly on a nation's ability to pay. But dues for the United States were capped far below its share of the world's wealth.

Dues for Japan, with a far lower gross national product, were reduced from 20.5 per cent to just under 20 per cent. With an economy less than half the size of the United States, negotiators said the Japanese parliament would not swallow Tokyo paying nearly the same rate as Washington.

## Thailand needs to maintain accommodative stance on rates

BANGKOK, Dec 24: Thailand should maintain an accommodative stance on interest rates to sustain the pace of the country's economic recovery next year, according to the International Monetary Fund (IMF), reports Xinhua.

The Thai News Agency (TNA) Sunday quoted a statement of the IMF as saying that currency weakness, sluggish domestic demand, and rising oil prices could affect Thailand's economic recovery next year.

The market sentiment might also continue to be weak, which could be observed by a sharp decline in the Thai stock market, due to anticipated slower growth in the US economy, slowdown in global demand, and slow pace of debt restructuring in the country's banking and corporate sectors, it cautioned.

To sustain the pace of the economic recovery, Thai authorities should, therefore, maintain an accommodative stance on interest rates, it suggested.

The country should also intensify and speed up efforts to implement debt restructuring in its banking and corporate sectors through the application of insolvency legislation and enforcement of creditors' claims, it stated.

The IMF released the statement in its review of the Thai economy, after the country completed in June a 34-month economic reform program backed by the Washington-based institute.

The IMF provided a bailed-out package of 17.2 billion US dollars to Thailand after the country was hit by its worst economic crisis in 50 years in 1997.

Thailand totally used 14.1 billion US dollars of the rescue package for supporting its economic reforms and restoring investors' confidence.

The IMF projected, however, that Thailand could have a 4-5 per cent increase in outputs next year.

# Recovery not on the cards for Thailand in 2001

## Influential astrologers say economy headed for tough time

BANGKOK, Dec 24: Thailand's influential astrologers say their crystal balls and tarot cards confirm what financial analysts have learned from spreadsheets and graphs - the economy is in for a tough time in 2001, says AFP.

Hopes that Thailand could shake off the legacy of the 1997 economic crisis in the New Year will be dashed, as the forces of nature forecast the country will slip towards recession, according to the soothsayers.

"The economic situation from January until mid-year 2001 will not improve. It will remain on a downturn," prominent astrologer Kengkaj Jong-jaipta told AFP.

Jupiter, the star representing the United States, indicates that the US will experience economic problems early in 2001. "Which will hurt Thailand, since our economy depends largely on

the situation in the US," he said.

The United States absorbs roughly 20 per cent of Thailand's total exports, and more than 50 per cent of exports of electronics components.

"But after the middle of next year, the economy may pick up again, since the orbit of Jupiter will change, so the situation in the US may change and Thailand's economy might do better," Kengkaj said.

Umwai Sriksan, another famous Thai astrologer, made an even gloomier assessment.

"I read five tarot cards and together they told me that the economic situation in Thailand will be seriously troubled for 2001 and perhaps for as long as five years," Umwati said.

"The cards show that the economy will stagnate for at least another two to three years, after which time things

may begin to pick up again."

"I am very worried about the many bad economic problems I foresee in the coming year."

However, the astrologers disagreed on whether politicians would be able to overcome the weight of fate and resuscitate Thailand's sluggish economy, which slowed alarmingly towards the end of 2000.

"I don't think any of the candidates in the election can change what is already fated for the economy," Umwati said.

"Everybody says they can change the economy, but they're just dreaming. I don't think any of them can do it."

Thai Rak Thai has proposed a controversial plan to enact a three-year moratorium on debts for the impoverished rural sector, a move that many analysts believe could entrench Thailand's culture of debt non-payment.

## Pressure mounts on Estrada to explain bank account

MANILA, Dec 24: Pressure mounted on embattled Philippine President Joseph Estrada on Sunday to explain devastating allegations he used a false name on a bank account to hide proceeds from criminal activities, reports AFP.

Prosecutor Joker Arroyo said the "burden of proof" had now shifted to Estrada's camp at the president's Senate corruption trial, where members will decide whether he remains fit to govern.

Arroyo said evidence that Estrada possessed wealth far beyond his professed means meant he would have to explain how it was acquired, increasing the likelihood the leader will have to take the witness stand.

Members of Estrada's defense panel were not available for comment when contacted by AFP.



A food vendor walks past a campaign poster in Bangkok yesterday. The poster illustrates the impact of the economic crisis on Thai business and predicts the future course of the economy. - AFP photo

The bombshell for Estrada came on Friday, when a senior bank official testified she witnessed the president repeatedly sign documents relating to a 500 million peso (10 million dollar) trust account using the alias Jose Velarde.

Equitable PCI Bank senior vice president Clarissa Ocampo, 45, said she was only a foot away when Estrada signed the false name on bank documents at the presidential palace early this year.

The amount in the trust account is 14 times what the impeached president declared in his 1999 statement of assets and liabilities, it was alleged.

Prosecutors have been trying to prove Estrada maintained an account with the bank to hide ill-gotten wealth, including millions in dollars in bribes from illegal gambling bosses and kickbacks from government excise taxes on tobacco.

Earlier they recovered a cheque signed by "Velarde" for 142 million pesos (2.84 million dollars) allegedly used to fund a shell company, which in turn acquired a mansion for an Estrada mistress.

The signature on the cheque closely resembled that of Estrada's as seen on Philippine bank notes.

Estrada has pleaded not guilty to all the charges, and has repeatedly stressed his willingness to take the stand if so advised by his lawyers.

Supreme Court Chief Justice Hilario Davide, the presiding officer of the tribunal, allowed Ocampo to testify only after a long debate Friday.

## China's WTO entry to fuel HK export growth in 2001

HONG KONG, Dec 24: China's expected entry in the World Trade Organisation next year will boost Hong Kong exports in 2001, the Hong Kong Trade Development Council (TDC) said Friday, reports AFP.

A TDC report said total merchandise exports were expected to rise 7.5 per cent in value, or 6.5 per cent in volume, led by widespread tariff reductions following the mainland's entry into the WTO.

Hong Kong manufacturers would also benefit from an improved investment environment as China is expected to continue amending its foreign trade and investment laws in 2001, it said.

Sustained global demand for electronics would help sustain growth in the electronics industry, Hong Kong's largest foreign exchange earner, the report added.

Edward Leung, chief economist for the TDC, said exports of services were expected to grow more modestly. Service exports were more concentrated on Asian economies, particularly China, and were more vulnerable to regional economic performance.

However, he added that China was expected to maintain healthy growth in 2001.

"Since Hong Kong's services exports are predominantly trade-related, an export-led Asian economic expansion should underpin satisfactory performance of our services exports," he said in a statement.

Political uncertainties in some Asian countries, as well as the haphazard pace of financial and institutional reforms in the region would also need monitoring, the report added.

## IMF says Ugandan economy under pressure

KAMPALA, Dec 24: An International Monetary Fund (IMF) team called Saturday for a readjustment in Uganda's budget to stem pressure arising from the depreciation of the Ugandan shilling against the US dollar, reports AFP.

The mission, carrying out an annual review IMF's Poverty Reduction Cross Facility (PRGF) programme, noted that although the economy was on track, trade shocks are likely to affect revenue collections for the year as consumption of mostly imported goods goes down.

"The budgetary situation looks good and the revenue collections are on track, but given the trade shocks, consumption is going down which may lead to a shortfall in revenue collections," IMF resident representative Ebrahim Zia Zadeh said.

Zadeh said that during a three-week scrutiny of the economy, the IMF team had also discovered that expenditure on defence was on target for the first time at two per cent of GDP.

Finance ministry statistics showed that revenue collection for the first quarter of the 2000/2001 attained 98.5 per cent of the set target of 427.8 billion shillings (239 million dollars), improving on last year's income over the same period by more than 100 billion shillings.



United Nations Secretary General Kofi Annan (L) and president of the General Assembly Harri Holkeri of Finland watch at the closing of the 55th session of the General Assembly at UN Headquarters in New York. The UN unanimously approved a resolution that lowers US contributions from 25 to 22 per cent of the UN's main budget and increases dues owed by other countries. - AFP photo

## Weekly Asia-Pacific Currency Roundup

# Aussie, Kiwi dollars make headway against greenback

HONG KONG, Dec 24: The Australian and Kiwi dollars continued to make headway against the greenback with further gains tipped over the coming week, reports AFP.

Elsewhere the Thai baht was impressive and regional currencies were aided by pressure on the US dollar which is increasing on the back of a slowdown in the US economy.

However, this pressure failed to inspire the yen, and in Tokyo sharp falls in the stock market and fears the Japanese economy has again stagnated resulted in the yen falling against the US dollar.

**Japanese Yen:** The yen lost ground during the week against the dollar as investors were depressed by six consecutive daily falls until Thursday on the Tokyo stock market.

The Japanese currency was quoted at 112.58-61 yen against the dollar late Friday, compared with 112.37-40 a week earlier.

"The weakness of the Japa-

nese economy and stock market are really undermining the yen," said a Sanwa Bank dealer.

The Tokyo Stock Exchange's Nikkei-225 index erased earlier losses on Friday to creep up 3.87 points to end on 13,427.08, a day after slumping to its worst finish since January last year.

But share traders said the recovery lacked conviction.

Gloom has descended on Japan's financial markets as evidence mounts that the tentative recovery under way in the world's second-biggest economy is at a stagnation point.

"Investors have no incentive to buy the yen," said Asahi Bank dealer Shigeru Nakane.

**Australian dollar:** The dollar was tipped to rise above 56 US cents by the end of next week after it touched a new three-month high Friday on the back of a weakening US dollar.

Short covering also led to a rise in Australian bond prices on the heels of firmer US Treasuries.

The local currency rose from 54.63 US cents last week to a high of 55.70, before closing at 55.59 US cents, its highest level since its 56.05 on September 13.

Dealers said thin pre-Christmas trade was exaggerating the moves in the market.

"Liquidity hasn't been great, with the interbank market stopping about midway," said Westpac Banking Corporation head of institutional trading David Beale.

"But it has certainly maintained the bid tone and the dips have been reasonably shallow as people tidy up going into Christmas."

ComSec chief economist Craig James described the dollar as being on the long road back to recovery.

"The momentum clearly lies with the Aussie and 56 US cents is an achievable target by year end," he said.

**New Zealand Dollar:** The New Zealand dollar traded into holiday mode and was worth

43.87 US cents Friday, up from the 43.02 cents a week earlier.

"It's been very active, there's been a lot of two-way flow all around. I think if you were standing aside from the market you'd probably say there's nothing much going on," Bank of New Zealand forex manager Greg Ball said.

But locals were very active, presumably clearing positions or setting last minute hedges ahead of the break.

Exporters bought dips and foreigners took profits, locking the Kiwi in a tight range. Ball said the Kiwi would likely resume its recent rally, with the next topside struggle at 44.10-15 cents.

**Singapore Dollar:** The US dollar traded at 1.729 Singapore dollars late Friday from 1.7384 on December 15.

**Hong Kong Dollar:** The dollar traded slightly higher at 7.7991-7.8001 to the greenback compared with the previous week's 7.7995-7.8001.

**Indonesia Rupiah:** The In-

donesian rupiah remained flat throughout the week, trading at 9,380 against the dollar by Friday, the same level as the previous Friday's close.

A foreign exchange dealer at a European bank said there were no signs of central bank intervention to shore up the currency.

**Philippine Peso:** The peso appreciated to close at 49.90 pesos to the dollar on Friday from 50.05 to the greenback on December 15.

**South Korean Won:** The won weakened to 1,237 to the greenback Friday from 1,202 a week earlier, amid mounting fears of further falls in the already weak South Korean stock market and the tech-heavy Nasdaq.

The won fell 9.10 Friday alone, despite government-backed banks funneling in 350 million dollars to prop up the local currency.

Dealers said the won could weaken to 1,270 won the dollar in coming weeks if Nasdaq falls further.

**Taiwan Dollar:** The Taiwan dollar shed 0.3 per cent this week to finish at 33.180 against the greenback on Friday amid falling share prices and growing demand for US dollars.

The unit stood at 33.076 on Monday and edged lower to 33.081 on Tuesday. It fell further down to 33.129 on Wednesday and closed at 33.172 on Thursday.

The currency market will be closed Monday for national holiday.

**Thai Baht:** The Thai baht made an impressive rally against the US dollar over the week, as investors sold off the greenback and built up stocks of the local currency ahead of the holiday season, dealers said.

The greenback fell against a range of currencies as expectations of a slowing in the US economy grew.

The Thai unit closed Friday at 42.00-05 in local trade compared to the previous week's close of 43.45-47 baht to the dollar.

## Pak central bank wants govt to meet IMF loan terms

KARACHI, Dec 24: Pakistan's central bank warned the government yesterday that it must strictly implement tough conditions set under an International Monetary Fund loan programme to avert a balance of payment crisis, says Reuters.

The State Bank of Pakistan said in a report on the economy in the first July-September quarter of this fiscal year that the government must contain a fiscal deficit at a targeted 5.2 per cent and avoid non-concessional external borrowings.

The central bank said the costs to meet IMF terms would include higher utility and petroleum prices, determination of exchange rate by market forces and less leeway for the public sector to generate new jobs.

"However these costs will ultimately benefit the economy at large and bring about the desired changes," the report said.

But the central bank said meeting the targets would enhance Pakistan's international credibility as analysts say the country has never successfully completed a single IMF programme.

"Establishing a track record of meeting these performance criteria is essential to enhance Pakistan's credibility both domestically and internationally," the report said.

"To manage this risk, Pakistan's economic managers will have to ensure that the fiscal deficit is contained within the target, government borrowings is kept within limits, slippages in revenue collections should be avoided..." it said.

The IMF on November 30 approved a \$596 million standby loan for Pakistan after it agreed to an economic programme to be run from now until September 2001.