Thai political

parties span

spectrum of

economic theories

pine central bank is set to focus

its monetary policy on inflation

targeting next year amid fore-

casts consumer prices may

jump as high as eight per cent

on a year-on-year basis, reports

boost confidence and keep

prices in check, the country will

have to be prepared to accept a

degree of fluctuation in the ex-

Inflation targeting is used by

several central banks ranging

from New Zealand to Thailand

to secure stability and trans-

The central bank usually

sets an official target for the

inflation rate, accompanied by a

declaration that monetary pol-

icy would be used to achieve

that goal. The government gen-

erally uses a core inflation rate

such as the consumer prices

that inflation targeting is one of

the alternatives to targeting a

fixed exchange rate. This basic

point is important, because it

means that a country adopting

inflation targeting has to be

prepared to accept variations in

the exchange rate," Reserve

Bank of New Zealand (RBNZ)

assistant governor David Archer

tings to try and avoid the most

difficult of the exchange rate

swings means backing off (from)

the inflation target. Countries

The Philippines central bank

in October hiked Key overnight

interest rates by four percent-

age points to defend the peso

which plunged to an all-time

due to poor investor sentiment

as allegations broke in October

that President Joseph Estrada

took millions of dollars of bribe

money from illegal gambling

The market stabilised as the

senate started an impeachment

introduce inflation targeting

next year, perhaps in the sec-

been drawn up, the bank would

likely adopt a self-imposed sin-

gle numerical target for infla-

tion and give it a flexibility of

plus or minus one percentage

point, rather than setting a

bility." Tetangco said, as the

Filipino central

bank to focus

*Our mandate is price sta-

target band. Tetangco said.

Although details have not

The peso's fall was mainly

can't have it both ways."

low of 51.95 to the dollar.

"Altering interest rate set-

The first thing to realise is

parency in monetary policy.

change rate, analysts said.

While the move may help

Reuters.

index (CPI).

told Reuters.

groups.

ond half.

MANILA, Dec 25: The Philip-

Top Russian minister warns of recession threat next yr

ANDSCOM, Der 25: A top Russian economics minister warned Monday that the country could plunge into recession next year unless the government pushes through longdelayed structural reforms. reports AFP.

We must not feel content: it is necessary to speed up reforms." Trade and Economic Development Minister German Gref said, cited by Interlax news agency.

"If we don't have structural reforms, next year we could go through a recession and have negative growth by year's end. he said after a Kremlin meeting between President Vladimir Putin and Russia's economic and finance ministers.

since Soviet Union collapsed in 1991. Russia's gross domestic product (GDP) is forecast to post 7.6 per cent growth this

Putin's most senior economic advisor bluntly accused Prime Minister Mikhail Kasyanov of wasting the year away even while the country profited from rocketing world prices on its oil and natural gas exports.

nomic indicators pointed to a slowdown in Russia growth over the past few months.

priorities are to make Russia's struggling banking sector more transparent and reforming the so-called natural monopolies such as the electricity and natural gas sectors.

recently approved an outline plan to reform the state-owned UES electricity monopoly.

But the project faces opposition including from within the government.

HK to revive British colonial landmarks to boost tourism

HONG KONG, Dec 25: Hong Kong will resurrect demolished British colonial buildings in a bid to boost tourism, if a plan submitted to the government gets the green light, it was reported Monday. reports AFP.

The government's city planning committee will study the plan submitted by an unnamed private developer to turn a waterfront site on eastern Hong Kong island into a tourist attraction featuring the long-gone skyline of Hong Kong, the Sing

Tao Daily said. Old colonial buildings formerly found in territory's financial district of Central, including the old post office, Hong Kong Club and Hong Kong and Shanghai Bank (HSBC) would be resurrected, it said. Wanchai Police Station would also be

The report said the idea was based on Singapore's success in reviving old Victorian era buildings to attract tourists.

rebuilt on the waterfront.

Under the plan, the old post office building would be turned into a shopping mall. the Hong Kong Club and HSBC buildings would become hotels while the police station would be transformed into a museum alongside a huge traditional sailing junk.

All of these buildings were demolished some 20 years ago as Hong Kong's economy took

Hong Kong has embarked on ambitious plans to boost its tourism industry following the 1997 Asian financial crisis, with projects including a Disneyland themepark, cable cars on the territory's famous Victoria Peak. as well as a suspended bridge linking Hong Kong island and Kowloon peninsula.

Hong Kong forecasts the number of tourists could hit an all-time high of more than 12 million this year.

Hungarian farmers fear death as country gears up for EU

BUDAPEST. Dec 25: Hungarian farmers are threatening to take up their ploughshares to fight new laws which they say will finally kill off the country's once-dominant agricultural sector, as it prepares for EU entry, reports AFP.

The sector, the workhorse of Hungary's economy under communism, has been dwindling steadily for 10 years. New laws aimed at uprooting traditional farming cooperatives are the final straw, they say,

"This is our death sentence." said Laszlo Filipsz, legal counselor to Hungary's MOSZ na-

Prime Minister Viktor Orban's conservative government. vowing early EU entry, has decommunist-era cooperatives

or large private farms. have five years to become monetary sovereignty was esshareholding ventures, or they | tablished.

will be forced to dissolve. Hungary's agricultural prolowards a market economy. increasingly based on urbanbased businesses, statistics

Standard and Poor's slates ROK banking U-turn

SEOUL, Dec 25: US credit tunous under the umbrella of a risk appraiser Standard and Poor's on Monday criticized the South Korean government for while salvaging the three rewriting-off the capital of six ailing banks and injecting them helping boost the credit standwith public funds, reports AFP.

The government's move was rimental to the broader need to "detrimental" to the country's create sound financial markets reform drive, investor confi- in Korea, in which a proper dence and the stock market, appraisal of risk-reward consid-Standard and Poor's Tokyo erations stands behind all inmanaging director Michael Petit vestment and lending decisaid in a news release.

A new state fund of 7.1 trilbanks -- including the Seoulbased Hanvit, Seoulbank and Peace, and the provincial managing the banking sector. Kwangju, Cheju and Kyongnam

government-led holding firm. This heavy-handed action.

gional banks and even possibly ing of the three others, is det-

sions," Petit said. He added that the governtion won (5.8 billion dollars) is ment action also raised quesset to be poured in six weak tions about the independence of banks' management teams and the role of the government in

Petit also warned that the

"The capital write-off may also cause distortions in the functioning of the stock market," he noted.

South Korean economic chiefs, including Finance and Economy Minister Jin Nyum, later publicly apologized for making the policy U-turn and causing loss to minority shareholders of the banks, but de fended the new move.

"Existing and potential shareholders are bound to question whatever compensation scheme the government works out." Petit said.

"This incongruous action is not without precedent, and may serve to further undermine investors' trust in Korea's financial markets.

South Korean financial in stitutions are saddled with 76 trillion won (64 billion dollars) of bad loans, accounting for 12.3 per cent of all loans.



Some of the 10,000 local workers rally in front of the Chiang Kai-shek Memorial Hall in Taipei yesterday to demand President Chen Shui-bian step down for the bad economy, crimes and unemployment situation. The demonstration was organised by opposition Kuomintang party.

- AFP photo

Summers sees inevitable slowdown in US economy

Clinton admn record lauded

WASHINGTON, Dec 25: A are going to face as a country is Cheney angered Democrats by expansion was unavoidable but a broad strategy that has recession, in which national there are sound reasons to ex- worked and that has propelled output would shrink, for the pect steady economic growth us to the lowest unemployment. first time since the last one next year. Treasury Secretary inflation, highest productivity ended in March 1991, as he Lawrence Summers said yes- growth in a generation," Sum- cautioned about the economy's terday, reports Reuters.

"Some deceleration in the ate growth" over the four quar- sumers confidence.

Summers lauded the outgoing Clinton administration's waning optimism last Tuesday record on the economy in the as one reason that it was now face of recent warnings from more worried about economic President-elect George W. weakness than about inflation. Bush's team that it had to pre- signaling it was preparing to pare for a sharp downturn, cut interest rates early next enhance chances for winning a

possibly even recession.

mers said.

The Federal Reserve cited

slowdown in the pace of US whether we are able to maintain raising the specter of a potential slowing.

Jockeying between the "Whether or not this ultieconomy from where it had Democratic administration that mately results in a recession, been was an inevitable thing," will surrender power to Bush's that is negative real growth. Summers said on ABC Televi- incoming Republican team in nobody knows at this time." sion's "This Week" programme, January has intensified as Cheney said last week. His pointing out that private-sector signs grow of potential weak- comments drew criticism from forecasters still predict "moder- ening, like weaker levels of con- democratic circles that Cheney was effectively "talking down" the economy.

trial of the president in Decem-Summers turned aside a ber. The central bank has requestion about whether Repubduced its key rates by 1.5 perlicans might be pursning a centage points this month and strategy of warning about a serious slowdown in order to has hinted at more cuts in months ahead. Philippines central bank big tax cut that was a center-Taliuk the question that we Vice-President-elect Dick piece of Bush's campaign. deputy governor Amando Tetangco said the bank would

Japan to rise again in 21st century: Miyazawa

TOKYO. Dec 25: In the 21" vey by the Nihon Keizai Shim- Party last month mounted an reason for introducing the syscentury. Japan will again be- bun showed only 11.6 per cent abortive leadership challenge to tem. He added the move would come an important world of respondents expect Japan to leader, although its society continue to develop. needs to change. Finance Minister Kiichi Miyazawa said, re- that 58.8 per cent of Japanese ports Reuters.

with public broadcaster NHK dicting it will fall into decline in yesterday. Miyazawa said he the new century. was confident that Japan was on the path to economic growth after a decade of dipping in and out of its worst recession since which it has languished for the the end of World War Two.

some further dips along the

Indeed, recent indicators suggest the world's number two economy may have already returned to recession in the second half of this year.

Asked about his message to the public as the century draws to a more flexible system, both to a close and the new millennium begins, the 81-year-old finance minister and former prime minister, said: "We will become one of the important leaders in the world again in the 21" century. That is where our future

Purist Japan is marking the end of the 20" century and the start of the new millennium at

midnight on December 31. Miyazawa's view was echoed by Robert Reich, a former la-

bour secretary in the Clinton administration.

Need for change Not everyone shares Miyazawa's optimism. A recent sur-

The business daily found expect the country to tread Speaking in an interview water, with 26.7 per cent pre-

Miyazawa acknowledged a need for change if Japan is to climb out of the doldrums in past decade since the bursting However, he did not rule out of its late 1980s asset bubble.

> "Japanese society in the 21" century needs to be different from that in the 20" century. and the Japanese people are starting to feel that," he said. Reich elaborated on what

> Japan still needs to do. in terms of capital markets and labour markets," he said. "Actually Japan has no choice. The global capital markets will de-

mand it and global product markets will demand it." he "Japan has to move from an could be ups and downs." older system of production. relatively protected jobs, and relatively inflexible capital and

labour markets, toward a system that is closer to the Ameri- Trade and Industry said on can model," he was quoted as Thursday its key gauge of ecothe nettle of reform has after weak trade data a day

emerged as a major issue in earlier that a recovery in the recent months. One member of first six months of 2000 has coalition came to power during the ruling Liberal Democratic petered out.

Prime Minister Yoshiro Mori to also add transparency to the try to prod the government to bank's monetary policy. step up the pace of change.

Miyazawa was speaking just hours after the cabinet approved a budget plan for the fiscal year starting next April 1 that aims to ensure the fragile economic recovery does not fizzle out, while trying to curb growth in the biggest debt in the industrial world

Mori wants the budget to flesh out his "Japan rebirth plan" which aims to promote information technology, facilities for the burgeoning elderly population, urban renewal and the environment.

Miyazawa sounded a confident note, saving Japan's goal "Japan does have to switch of 1.7 per cent growth for fiscal 2001/02 was feasible.

Technically speaking won't be difficult to achieve 1.7 per cent in the next fiscal year, he said. "It would be best if the economy continues improving smoothly but we might have to think about a case where there

Those downs could come sooner that Miyazawa would care to consider.

The Ministry of Internation nomic activity was flat in Octo-Japan's reluctance to grasp ber, giving a further indication

monetary policy on inflation BANGKOK. Dec 25: Most political parties contesting Thai elections are agreed on one thing: the economy needs to be improved. But ask them how, and you get responses spanning

the spectrum of economic theories, reports AP. The 1997 Asian financial crisis. which crippled Thailand's once-robust economy. has forced political parties to polish their economic policies

for the first time for an election

platform. There isn't a sharp difference in the direction of these parties' economic policies.' Anusorn Tamajai. Citibank's country economist. All are proglobalisation "but the difference is in degree." Anusorn said.

The Jan. 6 general election is seen as a referendum on the economic rescue effort of Prime Minister Chuan Leekpai, whose the 1997 crisis that wiped out a number of banks and businesses under the weight of a devalued baht.

Chuan's Democrat party and the main opposition Thai Rak That differ radically on their approach to dealing with the country's biggest problem - the national debt.

At the end of September, bad loans of state and nationalized commercial banks stood at Kakefuda said he could not | 492.59 billion baht (\$11.45) billion), or 33.09 per cent of lem loans amounted to 526.31 billion baht (\$12.23 billion), or 20.11 per cent of their total

> State and private sector commercial banks have transferred another 579.28 billion baht (\$13.47 billion) worth of non-performing loans to asset

lending.

"Solving non-performing (LNG). Its LNG imports rose 5.1 | loan problems is crucial... in reviving private investment," Merrill Lynch economist Supavud Saicheua said.

The Democrat Party wants banks to set up their own asset jected to grow at 5.0 per cent a | management companies to deal with non-performing loans. But the Thai Rak Thai and some other opposition parties favor a centrally managed and profesbroad alliance announced last LPG, coal and LNG, as well as shares in Telkoku Oil, raising sionally run asset management company in which the state

Nippon Mitsubishi, Teikoku Oil in Japan gas venture

biggest oil refiner Nippon Mitsubishi Oil Corp announced cent stake. today a 50-50 joint venture with Teikoku Oil Co Ltd. taking its first formal step into the potentially lucrative natural gas sales business, reports Reuters. The 100 million yen (\$885,800) venture, to be formed next April. marks the first time a Japanese oil refiner

or distributor has entered the He was referring to the fact | natural gas sales industry since in November 1999.

As global crude prices keep by high crude prices. "I am for the tolar. Look at convertible mark (BAM, or KM | rising, many Asian oil consuming nations have been gas - considered a growth industry as regional power pro-

cut pollutant emissions. shareholder of Teikoku Oil, one vice president, said.

this year. Nippon Mitsubishi funds. has jumped 23 per cent in calis up a hefty 57 per cent, compared to a drop of 27 per cent in the benchmark Nikkei average over the same period.

regulated the retail gas sector flowing out of the alliance in an industry that has been hit hard

in April 1999.

ducers come under pressure to prehensive energy company.

gas producers, with a 16.5 per vet provide a sales target figure for the new company, which will total lending, while private Both stocks have vastly out- he capitalised at 50 million yen | sector commercial banks probperformed the Tokyo market with 50 million yen in reserve

The equally owned venture endar 2000, while Teikoku Oil will use Teikoku Oil's pipeline to supply natural gas to largelot Japanese end-users such as hospitals and shopping centres. the two companies said in a statement.

Japan is the world's largest | management companies. importer of liquefied natural gas per cent in 1999, up from rises Nippon Mitsubishi has been of 3.9 per cent and 2.9 per cent

The February alliance beand although oil is our main tween the two firms called for The deal was born out of a business we are involved in Nippon Mitsubishi to buy new February under which Nippon the sales of electricity." Isao its stake to 16, 47 per cent, and Mitsubishi became the top Kakefuda. Nippon Mitsubishi included plans for cooperation rescue fund would have a in the natural gas sector.

move may serve to reintroduce In the most successful year In a policy U-turn from its moral hazard -- where governearlier pledge not to reduce ment safety nets allow financial bank capital, the South Korean institutions to engage in risky government plans to clear bad practices -- into Korean's finanloans with the cash injection. cial markets, allowing insolvent before placing the ailing insti- institutions to survive. But earlier this month Bank workers' protest continues ILSAN, South Korea, Dec 25: Fighting freezing temperatures backing of the government - try Union, an umbrella of laon Christmas. 15,000 striking pledged to push with plans to bour unions at the nation's 22 Andrei Illarionov said ecobank workers held an outdoor combine their operations. They banks, said Monday that workprotest for a fourth straight day say the merger will improve cas at other banks will vote on Monday in a tense standoff with their competitiveness. riot police, reports AP. Analysts say that urgent Three-fourths of the union- rounding the rally site eased a ised workers at two major cordon on Christmas, allowing min and Housing & Commercial commercial banks - Kookmin families to visit the striking will create the largest bank in and Housing & Commercial - workers with food and blankets. South Korea, with total assets have been striking since Friday Workers who concealed their of 15.7 trillion won US S 12.7 to protest their employers' faces with surgical masks billion. That would rank it plans for a merger that unions guarded the institute's main within the top 70 banks in the The Putin administration fear will result in mass layoffs. gate for a possible police as- world in terms of assets, in-The workers camped out in sault, thumping wooden sticks dustry officials said. 120 tents and other makeshift on the pavement. dwellings at a bank institute at Police used trucks on Sun- businesses and inefficient Ilsan. 6 kilometers (4 miles) day to tow away cars parked banks are the centerpiece of north of Seoul, giving it the outside the gate, arousing President Kim Dae-jung's eco-

Even if police break up the

protest, we won't go back to outlets around the nation were

work unless management can- forced to shut down Saturday.

cels the merger plan" said Bank officials expected disrup-

Chang Young-doo, a labour tions of service to continue un-

leader representing the two less the striking workers re-

turned to work.

keted the area.

About 2,000 riot police sur- stage sympathy walkouts.

Snow that fell overnight blan- planned.

Ignoring a police helicopter pered operations at the two year in office. ordering them by loudspeaker banks and inconvenienced to disperse, strikers vowed to customers during the Christ- are struggling under huge debts continue to fight until the mas holidays. Together the prompted by the collapse of merger, planned for June, is banks handle about one-fourth thousands of companies during of South Korea's retail banking. Most of the their 1.140 retail crisis.

The two banks - with the The Korea Financial Indus-Tuesday to decide whether to

The merger between Kook-

Restructuring of bloated appearance of a refugee camp. speculation that an assault was nomic reforms. He has pledged to complete those reforms by The strike severely ham- February, the start of his fourth

Most South Korean banks the 1997-1998 Asian financial

Since the crisis, it has become easier in South Korea to fire employees. But workers. until recently accustomed to lifetime employment, still resist



Takefumi Suzuki, an employee from the Japanese convenience store chain "am/pm," rides a scooter to deliver goods ordered by customers in downtown Tokyo yesterday. About 1,000 fulltime and part-time employees are wearing Santa Claus outfits while delivering goods for four days until 25 December as a Christmas campaign in the Tokyo area.

Southeast European nations ready to switch to euro

ZAGREB. Dec 25: South- should accept the euro as its east European countries are currency as soon as possible. ready for the replacement of the German mark, traditionally the the euro is not likely to cause and the fact that the Croatian reference currency in the re- problems to the Slovenian economy is traditionally linked gion, with the euro after the economy and it is expected that to the German mark, changeover to the common the country's currency, the European currency early 2002. tolar, would maintain the same

republies of Slovenia, Croatia, Maribor bank, told AFP. Bosnia-Hercegovina and Maceclared it wants to transform the donia have been keeping their technician Igor Ahacic the reasavings and evaluating their son for concern was the "weak into western-style medium-size assets in German marks since position of the euro in comparithe time of galloping inflation of son to the dollar". Under laws adopted this the Yugoslav dinar, and continweek, agricultural cooperatives | ued to do so even since their | Englishmen or Danes who still as it is known locally), is linked |

Slovenia, one of the leading yes, curo no , he told AFP. candidates for European Union duction has slumped to barely membership, having two thirds 30-40 per cent of its level in of its trade exchange with the 1989, before the country turned | EU, is preparing to enter the

euro-zone. The official stance of its government is that with its entrance into the EU fold Slovenia

tional federation of agricultural according to analysts, reports stability as it had so far against the German mark. Ana Okretic. Citizens in the ex-Yugoslav an employee of the state-owned have more experience than the

However, to 41-year-old

euro and an same Lurope According to Boris Vujcic. Insked to the euro because as deputy governor of Croatia soon as the German mark be-Central Bank, the Croatian comes a sub-unit of the euro kuna is to stay in the future then we will link it to the euro linked to the curo as it has with the same, fixed exchange been until now to the German rate". Peter Nicholl, the govermark, since most of its trade

exchange is in the euro-zone.

He also stressed that the citizens are mostly keeping The change over to using their savings in German marks.

- AFP photo

The exchange of banknotes and coins of 12 European currencies into the euro would be "almost a routine job since we EU". Vujcie said.

changed its currency twice. The Bosnian currency, the have not decided to accept the to the German mark at parity value of the KM, it is already

that since it proclaimed inde-

pendence in 1991 Croatia has

nor of the Bosnia-Hercegovina Central Bank, told AFP.

TOKYO. Dec 25: Japan's of Japan's few oil and natural

Analysts say the stronger the government partially de- shares partly reflect benefits

switching to less expensive and business base ever since it was

aggressively broadening its reported in 1998 and 1997. The aggregate LNG demand "In a legal sense in terms of environmentally cleaner natural born from a merger of two firms of Japanese gas utilities is pro-We see ourselves as a com- year until 2005 from 2000.