

EU ministers confront challenge of slower global growth

BRUSSELS, Jan 20: European finance ministers are confronting the challenge of slower world growth and yesterday encouraged the European Central Bank to play its part in supporting global growth, says Reuters.

Collapsing business confidence in the United States has fuelled fears of recession, prompting the Federal Reserve to trim interest rates by half a percentage point on January 3.

Speculation it will cut again within weeks is high and, with the Group of Seven meeting in Italy on February 17, there are analysts who believe the ECB will follow suit with an easing around March.

French Finance Minister Laurent Fabius told reporters at a monthly meeting of European Union finance ministers (Ecofin) that he had been struck during a tour of Asia last week by the turnaround in expectations on

the world economy.

The United States was perceived as providing less of an impulse to global growth, and if anything rather fragile, and it is Europe which appears to be a zone of growth and stability," Fabius said.

"This gives us additional responsibility to honour this confidence," he added.

"If we sense that growth is weakening, while inflation is under lasting control, perhaps they will have to draw the consequences. But these things have to be followed for some time," Fabius told reporters when asked if the ECB should cut rates given the global growth outlook.

European monetary officials believe the US economy this year will now only average around two per cent growth, well below the expected three per cent in the euro zone.

Last November, the Euro-

pean Commission forecast US growth this year would slightly exceed that in the euro zone which they predicted would come in at 3.2 per cent.

Coded comments aimed at ECB

The ECB, as expected, held interest rates unchanged at 4.75 per cent at its regular fortnightly meeting on Thursday.

The comments from Brussels were something of a coded message aimed at the ECB," said economist Julian Callow at CSFB.

"Europe is really in a position for the first time (in recent history) to support the global economy. It has inflation under control and budget deficits under control," he said, adding that encouragement for domestic demand held the key for growth.

European monetary sources told Reuters on the sidelines of the Ecofin meeting that they

believed the ECB would wait for confirmation that inflation would not be pressured by higher wages before taking any decisions on rate cuts.

Inflation in the euro zone in November reached 2.9 per cent, well above the ECB's tolerance ceiling of two per cent, although December numbers, due next week, are expected to mark a retreat.

The ECB's independence to set euro zone interest rate policy is protected by law, but finance ministers have made it clear they would seek a role in protecting the region's interests.

"Responsibilities will be shared, Belgian Finance Minister Didier Reynders, the current chairman of the Eurogroup of euro zone finance ministers, told French daily Le Monde.

Reynders was answering the question: "In the future, will the euro be more than Wim Duisenberg?"



French Finance Minister Laurent Fabius (C) speaks with his German counterpart Hans Eichel (L) and European Commissioner in charge of finance Spanish Pedro Solbes Mira Friday in Brussels, before the opening of EU finance ministers' meeting. — AFP photo

EU hopefuls urged to adopt Brussels' competition system

BRUSSELS, Jan 20: EU Competition Commissioner Mario Monti urged EU candidate countries Friday to step up their adoption of competition systems similar to those already in place in the European Union, reports AFP.

The candidate countries must see their conversion to a rigorous competition system as something that will benefit them just as much as it has benefited the current member states," Monti told reporters in Brussels.

The EU has set down a principle that the candidate countries must become accustomed to a competition discipline similar to that of the European Union, well in advance of accession," he said.

The European Commission, which is negotiating with 12 EU hopefuls, expected progress in three areas, for which it would assess candidate countries during the second half of this year, he said.

Candidates would require a legislative framework for both antitrust and state aid; the administrative capacity to apply their competition rules; and a credible enforcement record, he said.

Of the six countries that began negotiations in 1998 -- Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia -- Monti said the state aid regime was often lacking, although the antitrust regimes were for the most part functioning.

There was also a gap between the legal framework and enforcement, which in the state aid field gave rise for concern, he said, mentioning fiscal aid and aid to keep non-viable businesses alive.

"By making promises on investment incentives, the governments in the candidate countries continue to enter into legal commitments that risk breaking the acquis," Monti said.

Tech rally gains momentum on Wall Street

NEW YORK, Jan 20: Technology stocks extended their rally this week and blue chips posted modest gains as investors shrugged off the latest round of earnings reports and looked ahead to another interest rate cut, says AFP.

The tech-dominated Nasdaq gained 5.48 per cent in the holiday-shortened week ending yesterday to close at 2,770.42, on the heels of a nine per cent gain the prior week.

The blue-chip Dow Jones industrial average rose 0.59 per cent for the week to close at 10,587.59 and the Standard and Poor's 500 advanced 1.84 per cent to 1,342.55.

For the Nasdaq, the gain marked the first time since August that the "new economy" index posted back-to-back weekly gains.

Analysts said corporate earnings reports were not as bad as feared in the wake of a slew of profit warnings.

But investors were mostly looking ahead to another rate cut -- perhaps as much as a half-point -- from the Federal Reserve monetary panel that meets at the end of January.

Economists say the Fed is acting in response to a rapidly cooling pace of US economy growth that could put the US economy close to a recession.

"Of course, our forecast of no recession and a stronger second half presumes that the Fed will continue to do whatever it needs to do to keep the economy moving forward," said Bruce Steinberg, chief economist at Merrill Lynch.

The Fed's alternatives on January 31 are to either ease 50 basis points, as we expect, or 25. After that it will depend on the economy. We assume two further 25 basis point moves at the next two FOMC meetings in March and May. But it growth ends up weaker than we expect, the Fed will be more aggressive."

Robert Diclemente of Salomon Smith Barney agreed that data released this week "raised the risks of a steeper-than-expected slowdown and are likely to elicit more aggressive Fed easing."

IBM led the computer sector with a leap of 18.75 per cent for the week, closing at 111-1/4 and Compaq 7.27 per cent to 20.50.

Taiwan's China Airlines posts record high revenues

TAIPEI, Jan 20: Taiwan's China Airlines said Saturday that its sales hit a record high of 71.91 billion Taiwan dollars (2.21 billion US) for 2000 due to strong expansion in passenger and cargo business, reports AFP.

Revenues showed an 18.2 per cent increase on 1999 with pre-tax profit at 2.78 billion dollars for the year, Taiwan's largest air carrier said.

The company said that passenger service contributed 56.2 per cent, or 40.45 billion dollars, to the total while cargo operation accounted for 36.5 per cent, or 26.22 billion dollars.

CAL has a fleet of 52 planes and it will take delivery of a further nine this year to meet growing demand, it added.

Taiwan's 2000 export orders hit 13-yr high

TAIPEI, Jan 20: Export orders received by Taiwanese business rose 20.36 per cent year-on-year to 153.42 billion US dollars for 2000, the highest level in 13 years, official data showed Saturday, reports AFP.

The strong overseas orders came on the back of robust demand for electronics and information products from the United States, Asia and Europe, the economic ministry said.

In December alone, export orders grew 17.73 per cent year-on-year to 12.48 billion dollars.

Demand from the United States, the island's largest market, rose 15.56 per cent year-on-year to 49.02 billion dollars in 2000.

Orders from Hong Kong, the main conduit of trade between Taiwan and China, came in second at 28.70 billion dollars, up 28.44 per cent from a year earlier.

Meanwhile, orders from Europe climbed 13.61 per cent to 26.35 billion dollars while Japan placed orders worth 16.44 billion dollars, up 31.75 per cent.

Taiwan's industrial output for 2000 grew 7.73 per cent from a year earlier.

December's output declined 2.07 per cent year-on-year and was down 2.01 per cent from November.

Turkish economy improving after cash crunch

ANKARA, Jan 10: The International Monetary Fund said yesterday the Turkish economy had recovered from its cash crunch of last year but still needed strict vigilance, says AFP.

The economy had improved "enormously and significantly" since the liquidity squeeze, which started in late November, IMF Turkey desk chief Carlo Cottarelli told a press conference here.

"Foreign exchange reserves are back to the level before the crisis, interest rates have dropped significantly and the stock exchange has improved strongly," Cottarelli said.

"But there is also the need to remain conscious in assessing economic parameters because the disturbance was not a minor one," he added.

Ankara needed to strictly adhere to its three-year, four-billion dollar stand-by deal with the Fund, and to pay special attention to some areas, such as fiscal policy, privatization and banking, he said.

The official was on the first IMF mission to Turkey since the liquidity squeeze, which wreaked havoc on the money markets, leading to emergency injections of funds by the central bank, record interest rates and a slump on the stock exchange.

After talks in Ankara, the IMF agreed in December last year to release some 10 billion dollars in emergency aid, in return for which Turkey pledged to speed up privatization and reforms in its ailing banking sector.

Since then Ankara has announced tenders for the sale of 33.5 per cent of Turkish Telecom and 51 per cent of Turkish Airlines.

It is also working to sell eight of the 11 banks bailed out by banking authorities after failing to fulfil their financial obligations.

IMF banking sector expert Carl Lindgren told the news conference there were still problems in the banking sector, but underlined that they were not of an urgent nature.

"All of you are aware that there are weaknesses, but we are not talking of problems that require immediate intervention," he added.

Turkey's treasury undersecretary Selcuk Demiralp, meanwhile, stressed Ankara's determination to keep the stand-by deal, which was hammered out in December 1999 and aims to principally reduce Turkey's chronic inflation.

Inflation for 2000 stood at 39 per cent of consumer prices and 32.7 per cent for wholesale prices, well above its year-end targets of 25 per cent for consumer prices.

Bush's budget chief pushes for cutting taxes, debts

WASHINGTON, Jan 20: President George W. Bush's choice for White House budget director yesterday said cutting taxes and paying down debt are equal priorities that can be done together, as a top Senate Republican predicted sharply higher budget surpluses, says Reuters.

"I think they are both comparative priorities of the administration and I think we can walk and chew gum," Mitchell Daniels, a pharmaceutical industry executive tapped to become Office of Management and Budget director, told the Senate Governmental Affairs Committee hearing nomination hearing.

"It's an essential priority that we deliver tax relief to the American people and I'm absolutely confident that can be done with dramatic debt reduction," Daniels said.

He said the fiscal 2002 budget Bush, a Republican will submit will provide "sizeable debt reduction."

Sen Pete Domenici, the top Republican on the Senate Budget Committee and a member of the Governmental Affairs panel, said he believed forecasts

for the 10-year surplus will jump by more than \$1 trillion to \$5.7 trillion, which he said will make the Bush administration's task much easier.

Domenici said he expected the Congressional Budget Office, Congress' budget adviser, will raise its surplus projection to around that level later this month, up from \$4.6 trillion. But he cautioned he was not giving an advance on the actual number.

Daniels did not offer his own surplus projection, but said analysts were pretty much converging somewhere between \$5 trillion and \$6 trillion, including Social Security reserves.

That is ample to defray Bush's proposed \$1.3 trillion in 10-year tax cuts and major debt reduction, he said.

Avoid unwelcome surprises

And while long-term surplus projections can change dramatically, he said the best way to avoid "unwelcome surprises" was by keeping a healthy economy through spending discipline and tax cuts. But Democrats remained skeptical.

"I find it particularly difficult to justify a massive tax cut at a time when we are experiencing a modest economic slowdown and where the exact size of a future surplus is unclear," said Sen. Joseph Lieberman of Connecticut, the Governmental Affairs Committee's Senior Democrat.

More than \$2 trillion in projected surpluses are in Social Security reserves, which both Republicans and Democrats agree should be off limits to other spending. "While the economic outlook may be souring near-term, there appears to be broad consensus that the economy's longer-term prospects remain solid," he said.

The major threat to long-term surpluses is federal spending, not tax cuts, Daniels said.

While saying spending limits imposed in 1997 to balance the budget may no longer be appropriate in the new era of surpluses, he said Congress and the White House will need measures to impose fiscal discipline.



A flower vendor serves a customer yesterday in Corneilles, northwestern France, as writings on her shop window indicate she supports the use of euro. Residents of Corneilles can purchase goods in French francs as well as in euro during the weekend. Writings on the window read "Week of the euro". — AFP

Three consortiums secure Nigeria telecom licences

ABUJA, Jan 20: Telecom consortiums backed by operators from South Africa and Zimbabwe and one from Nigeria emerged Friday as winners of three mobile phone licences in a billion dollar auction here, reports AFP.

The three consortiums agreed to pay an asking price of 285 million dollars a licence. A fourth licence granted to the state-run operator will also now be set at 285 million dollars, pushing revenue well past the one billion dollar mark, organisers said.

The three consortiums winning the licences in the auction were named by officials as Communications Investment Ltd. (CIL), based in Nigeria; Econet Wireless Nigeria Ltd., based in Zimbabwe; and MTN Nigeria Ltd., based in South Africa.

The bidding began on Wednesday at 100 million dollars with five consortiums in the running.

After two days, all five were still in the auction, but after five rounds, two dropped out as the price was pushed to 295 million dollars.

In a statement, telecom agency chief Ernest Ndukwu said that as the two unsuccessful bidders had dropped out as they were unwilling to pay more than 285 million dollars, it was "appropriate" that that should be the price for the win-

ners.

"The auction has been designed to deliver the ideal outcome: the strongest bidders have come through the process," he said.

The government has raised over one billion dollars, more than twice the original budget expected. Consequently, the government will be able to use the funds raised for the public benefit," he added.

The two groups that dropped out were United Networks Mobile Ltd., backed by Egyptian group Orascom Telecom, and MSI-Celitel Nigeria Ltd.

The auction organisers dismissed fears that the high licence fee would push up costs for the end-users.

"The winning bidders in this auction have prepared very detailed business plans and have much experience in delivering mobile telephony services," Ndukwu said.

"The fact that we will have four operators keenly contesting the market will ensure that consumers will not get ripped off," he added.

"Furthermore, having spent so much on the licences, the winning bidders will have every incentive to build out their infrastructure as quickly as possible."

Ndukwu said the auction showed that Nigeria had been able to complete the sale in a "completely transparent" way.

"We can now look forward to

four national operators delivering much needed digital telephony services to the benefit of all Nigerians," he added.

Nigeria, Africa's most populous country with more than 120 million people, has one of the continent's least-developed telecommunications sectors, hence one of the greatest potentials for expansion.

The winners will be required to redeem their bids within 14 days and start operating within three months.

In a statement issued after the auction, MTN Nigeria predicted that the Nigerian telecommunications market would grow to over 10 million subscribers in ten years.

It said it would invest 1.4 billion dollars over the same period in its operations here.

"MTN Nigerian Communications Ltd is set to invest more than 1.4 billion dollars over the next 10 years to ensure coverage and subscriber number obligations as set out in the licence," it said.

Felleng Mofasi, the group's international business development manager said Nigeria was a market with major potential.

"Nigeria is a largely untapped market with an estimated population of 124 million and an economy that enjoys constant growth," he said.

"The opportunity in Nigeria is significant."

Honda to install low-emission engines in all vehicles by '05

TOKYO, Jan 20: Japan's Honda Motor Co. Ltd. will install low-emission engines in all its vehicles by 2005, a business daily said Saturday, reports AFP.

Honda will set up low-emission "i-series" engine production lines at its two domestic engine plants and invest 15 billion yen (128 million dollars) in the engine production division by 2003, the Nihon Keizai Shimbun said.

The company created a 2.0-liter low-emission engine last year and plans to develop such an engine for compact cars early this year, the paper said.

Honda hopes a fuel-efficient engine will help boost its domestic sales.

In December alone, the company sold almost 13,000 of its mini van, Stream, which has the 2.0-liter low-emission "i-VTEC" engine. The engine is 20 per cent more fuel-efficient than Honda's regular engines.

Pak external liquidity problem a challenge

KARACHI, Jan 20: Central bank governor Ishaq Hussain said yesterday Pakistan's external liquidity problem could only be overcome by debt rescheduling and new concessional loans, says Reuters.

"The most difficult challenge faced by the country today in the short term is its external liquidity problems," he told a seminar.

Hussain said Pakistan's freezing of foreign currency accounts hours after it carried out nuclear tests in May 1998 starved the country of a key source of external liquidity.

But he said the military-led government, which came to power in October 1999, had decided not to obtain short-term commercial debt to overcome the liquidity problem.

The account freezing was part of measures to conserve foreign exchange in 1998 after nuclear-related sanctions plunged Pakistan into a balance of payments crisis.

Hussain said debt rescheduling was the "only motivation" for entering into an agreement with the International Monetary Fund despite tough economic terms of the IMF loan programme.

Metals: Weekly Roundup

Gold remains below \$265 an ounce, base metals firm

LONDON, Jan 20: Gold remained stuck below 265 dollars an ounce for most of the week before ticking slightly higher towards the weekend as hopes of lower US interest rates filtered through, weakening the dollar, says AFP.

But buying interest was thin particularly with another Bank of England auction of the precious metal looming large on Tuesday.

An ounce of gold was selling for 265.75 dollars on the spot market on Friday, from 263.65 dollars a week earlier.

Gold seems to be stuck in the doldrums, with few looking willing to buy the metal coming up to the end of the peak demand season and ahead of the 25 tonne Bank of England sale, said Lawrence Eagles of the GNI brokerage.

Silver: Lining. Silver prices rose strongly on technical factors, as investment funds anticipated another annual celebration on the third anniversary of US investor Warren Buffett's spectacular entry into the silver market.

An ounce of silver was going for 4.725 dollars from 4.55 dollars last Friday.

It's not a volume story, it's seasonal," said Andy Smith, a precious metals expert with Mitsui Bussan Commodities.

Americans told to postpone travel

WEF protests likely to make Davos unsafe

WASHINGTON, Jan 20: The United States on Friday said planned protests during the upcoming World Economic Forum (WEF) in Davos, Switzerland could prove highly disruptive and advised Americans to consider postponing travel there, reports AFP.

The State Department said that although Swiss authorities were beefing up security for the January 25-30 annual summit of world business and political leaders, the demonstrations may make the resort town unsafe.

"American citizens are urged to exercise caution and consider deferring travel to Davos during this period," it said in a statement.

Protests similar to those which disrupted the World Trade Organisation meeting in Seattle and international financial institutions' conferences in

Washington and Prague are expected at the WEF, it said.

"There is a potential that some demonstrations may become disorderly and violent," the department, stressing that other parts of Switzerland were not expected to be affected.

Swiss officials have said about 300 professional soldiers -- four times the number sent for the 2000 meeting -- will be stationed in Davos for this year's gathering.

Last year, protesters rampaged through the resort, breaking windows and spraying graffiti on the day US President Bill Clinton was in town. Two policemen were hurt.

About 30 heads of state and government, including Mexico's new president Vicente Fox and Palestinian leader Yasser Arafat, are among those due to attend this year.

Indian stocks await quarterly financial results next week

BOMBAY, Jan 20: Indian stocks next week will be looking to more quarterly financial results and the week-end performance of the US Nasdaq exchange, market participants said yesterday, reports AFP.

On the Bombay Stock Exchange (BSE) the 30-stock sensitive index closed the week at 4,194.46 points, up 157.88 points, or 3.4 per cent, from the previous week.

The BSE index closed up nearly two per cent on Friday over Thursday on buying by foreign funds and short-term commercial debt to overcome the liquidity problem.

The account freezing was part of measures to conserve foreign exchange in 1998 after nuclear-related sanctions plunged Pakistan into a balance of payments crisis.

Hussain said debt rescheduling was the "only motivation" for entering into an agreement with the International Monetary Fund despite tough economic terms of the IMF loan programme.

"Business volumes will be very good next week. I expect

the index to move in a 200-point range," he said.

Analyst Satish Rannathan at ICICI securities said he expected some amount of "profit-taking" in the middle of the week.

"We have already seen the peak of money moving into the market. So the index could cool off on Wednesday."

Rannathan said market participants would next week await financial results from cement companies.

"The expectation is that the results will be good, though it will be company and region specific. The next quarter's results are also expected to be good."

Rannathan said pharmaceutical and engineering stocks would remain on the sidelines, while petroleum stocks were expected to attract buying on likely pro-market policies.

"A lot of expectations are being built into the budget. The infrastructure sector is anticipating concessions to boost spending."

Copper benefited from technical factors on the market, with some analysts also noting that supplies from major producer the Democratic Republic of Congo could be placed in question following the assassination of its president, Laurent Kabila.

Copper prices recovered from selling early in the week to 1.819 dollars a tonne, up from 1.797 dollars a tonne last week.

Nickel prices also pushed higher after talks with unions to end a half-year strike at key Canadian mine, Falconbridge, broke down. Three-month nickel prices rose to 6,910 dollars a tonne from 6,840 dollars last week.

Zinc also ticked higher amid fears that the Californian energy crisis could affect supplies.