

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 licked and budget deficits under control," he said, adding that encouragement for domestic growth held the key for growth.

Reynders was answering the question: "In the future, will the euro be you more than the US dollar?"

European monetary sources told Reuters on the sideline 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*.

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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

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 11.73 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 in 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 Demirpala, 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 holding 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.

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.

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 Demo-

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 domestically 13,000 of its mini van, Stream, which has the 2.0-liter low-emission "i-VETC" 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 Ihsrat Hussain said yesterday Pakistan's external liquidity problem could only be overcome by debt rescheduling and new concessionary 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.

Parkekh said market participants would also take positions in expectation of the national budget due next month.

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

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.

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.

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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.

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