US concerned about Japan economy

REUTERS, *Washington*

The Bush administration is not taking a "laissez faire attitude" toward Japan's fragile economy, a problem that could eventually pose a security threat to the United States, US Secretary of State Colin Powell said Thursday.

"We are concerned about the Japanese economy, and it has been a source of meetings with the new team," Powell told the House of Representatives Budget Committee. "It is not a laissez faire attitude," he said, noting that US officials are preparing to discuss the issue with Japanese Prime Minister Yoshiro Mori next week.

Powell's comments were in contrast to the "hands off" approach toward Tokyo advocated by other Bush administration officials. Since taking up his post in late January, Treasury Secretary Paul O'Neill pledged to refrain from "lecturing" the Japanese on how to spur their moribund economy.

It was a more conciliatory approach than that taken by the administration of former US President Bill Clinton, which was perceived as hounding Tokyo to enact reforms.

However, Powell said Japan's economic problems are of such importance that US officials will give Mori "the benefit of our thinking on this matter."

"The prime minister may be moving on in the very near future, but the very importance of this issue suggested we still ought to have this meeting in order to exchange views with him," Powell said.

Pakistan needs $10b aid to meet financing gap till '04

REUTERS, *Islamabad*

Pakistan needs soft loans of $6 billion from multilateral financial institutions and debt rescheduling of $4 billion from the Paris Club to meet the financing gap up to 2004, a government report said Thursday.

The report, prepared by a special committee set up by the military-led government of General Pervez Musharraf to suggest ways to manage and reduce a burgeoning debt, said a default or moratorium was not an option for the country.

"At least $6 billion exceptional assistance from the IMF, the World Bank and ADB (Asian Development Bank) and another $4 billion rescheduling from the Paris Club will be needed to meet the financing gap," said the report made public on Thursday.

It said most of the assistance should be on concessionary terms to reduce the burden of multilateral debt service.

The IMF approved a new $596 million standby loan for Pakistan in November, paving the way for fresh loans from the World Bank and ADB.

The decision followed more than a year of talks over the resumption of aid which the IMF suspended in May 1999 after Pakistan failed to meet agreed economic conditions.

In January, the Paris Club agreed to reschedule $1.7 billion in payments on the country's foreign debt.

Finance Minister Shaukat Aziz asked the donor community and multilateral financial institutions on Wednesday for soft-term loans to help the country tide over its huge foreign exchange payments on foreign debt.

Debt burden

Officials say Pakistan's external debt and foreign exchange obligations, including those to residents, stood at $37 billion by the end of 2000. The country's domestic debt is 1,558.8 billion rupees ($24.74 billion), according to central bank figures.

The report estimated Pakistan's debt service payments between July 2000 and June 2002 would be $11 billion if Islamabad could get a rollover of service payments on $1.4 billion worth of deposits of foreign governments and central banks and from service payments on $1.3 billion worth bonds owed to residents.

It said the country would need another $10 billion for the two years from July 2002 to June 2004.

"These huge external debt repayments due, totaling nearly $21 billion over 2000-2004, would preempt a large part – at least over one-third – of foreign exchange earnings even assuming a robust expansion in exports," the report said.

It said that after having carefully considered international experience, the committee ruled out debt moratorium or default as an option for Pakistan.

"A default may appear, at first sight, to provide some short term relief by reducing the modest net transfer of resources abroad, compared to an IMF assisted adjustment scenario, but in fact will do incalculable harm to both the short-term and long-term interests of the country," it added.

The report suggested the government should gradually build up foreign exchange reserves to $5 billion, equivalent to at least three months of foreign exchange payments.

Pakistan foreign exchange reserves have hovered around $1 billion in recent weeks.

The report suggested the government should reduce external debt as a percentage of foreign exchange earnings to 200 per cent from 281 per cent at present in the next five years, and cut the public (domestic) debt burden from 610 per cent of revenues at present to 350 per cent over 10 years.

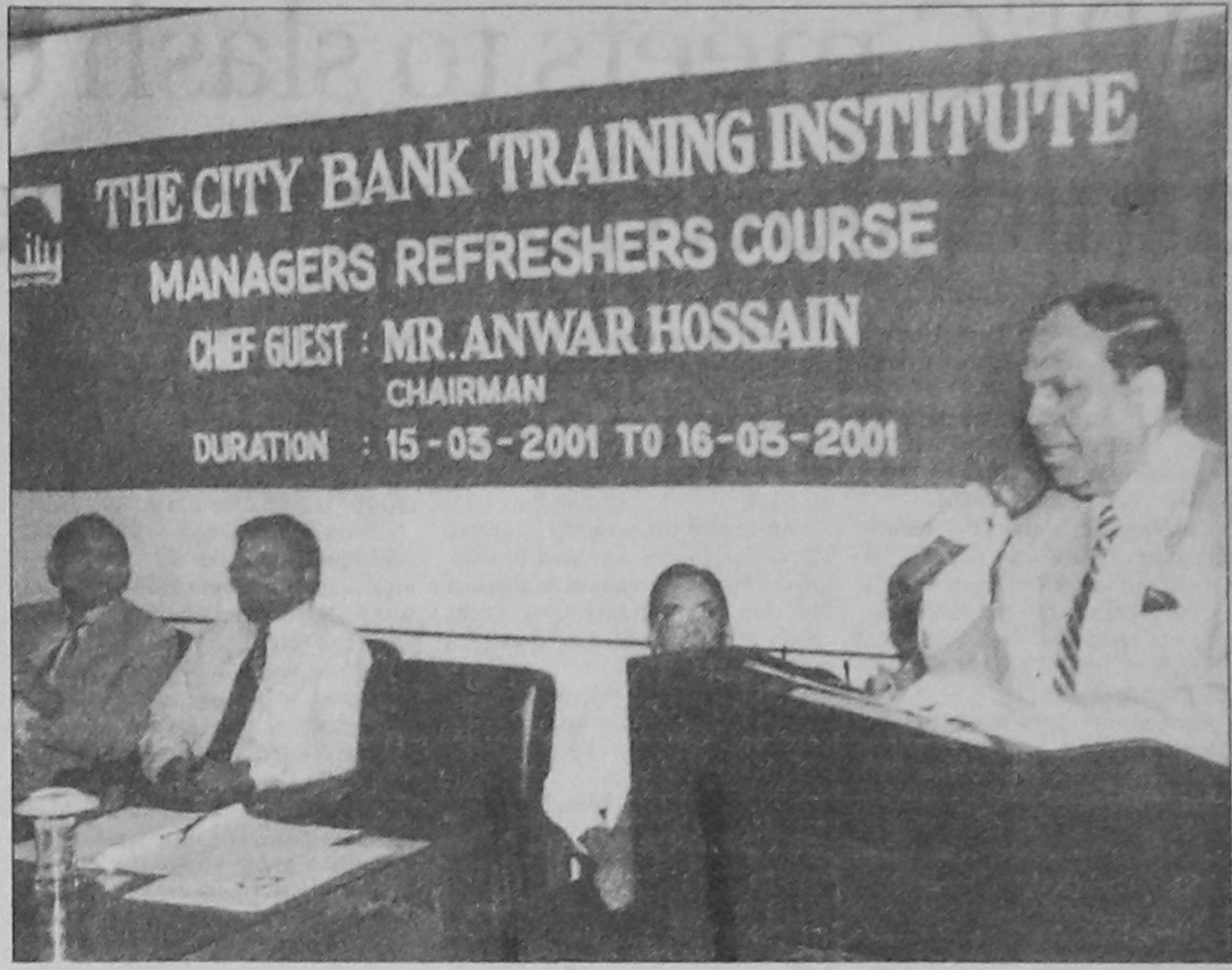

PHOTO CITY BANK

Anwar Hossain, Chairman of The City Bank Limited, delivers the inaugural speech at the 2-day refreshers course of Managers at the bank's training institute Thursday. Abbas Uddin Ahmed, Managing Director, and Mahfuzur Rashid, General Manager of the International Division of Bangladesh Bank, and an observer in the board of The City Bank, are also seen in the picture.

Japan's recovery pausing in deflation: Govt assessment

AFP, *Tokyo*

Japan downgraded its key economic assessment for the second month in a row on Friday, acknowledging for the first time the world's second biggest economy had slipped into a deflationary state.

"Economic recovery appears to be pausing," the Cabinet Office said in a monthly report submitted to Prime Minister Yoshiro Mori.

The term "pausing" was last used in January 1998, before the economy eventually sank into recession.

It also marked a rare, second straight monthly downgrade pointing to sluggish growth of output and exports on the back of a US economic slowdown.

"Reflecting the slowdown of the US economy, Japanese exports have faltered, resulting in a weakening of industrial output," the Cabinet Office said.

The more bearish assessment compares with the analysis in February that "the pace of economic recovery has become more moderate."

The assessment, largely seen as Japan's official verdict on the economy, also declared the economy was now on a deflationary trend in its first attempt to clarify the government's somewhat opaque definition of deflation.

"If we are to term prolonged price-falls as deflation, Japan's economy is now experiencing mild deflation," Taro Aso, state minister for economic and fiscal affairs, said during a morning cabinet meeting.

The remarks came amid intensifying concerns that falling prices may slash corporate profit, with the latest data showing core consumer prices dropped 0.5 per cent in January in the 16th straight fall, following a 0.6-per cent fall the previous month.

"It is a very rare development internationally and historically that the CPI (consumer price index) falls for two years in row," Cabinet Office economist Haruhito Arai said, describing the trend as "virulent."

But the government argued the economy was still heading towards a self-sustained recovery, citing a growth trend in corporate capital spending.

"Corporate capital spending is rising both in manufacturing and non-manufacturing sectors," the Cabinet Office said in the March report.

It was more upbeat than the February report that "corporate capital spending is rising, led by manufacturers."

City Bank holds course for managers

A two-day Refreshers Course for the Managers of The City Bank Limited was inaugurated at bank's training institute on Thursday, says a press release.

Anwar Hossain, Chairman of the bank, was present on the occasion as chief guest. The course was inaugurated by special guest Mahfuzur Rashid, General Manager of the International Division of Bangladesh Bank and an observer in the board of The City Bank.

Anwar Hossain emphasised training and opined that age is not a factor for acquiring knowledge. He advised the managers to equip themselves with practical knowledge of banking.

Mahfuzur Rashid urged the trainees to properly apply their knowledge while on duty.

Abbas Uddin Ahmed, Managing Director, urged the managers to improve their efficiency and act like a real professional in the discharge of the day-to-day responsibilities.

Global stocks calm after storm

AFP, *New York*

Global financial markets stabilised Thursday in the wake of a huge worldwide sell-off, but stocks ended mixed here as a rally fizzled in technology shares.

The tech-heavy Nasdaq fell 31.38 points (1.59 per cent) to close at 1,940.71, squandering an early rally.

The blue-chip Dow Jones industrials clung to modest gains, rising 57.82 points (0.58 per cent) to 10,031.28 while the broader Standard and Poor's 500 gained 6.85 points (0.59 per cent) to 1,173.56.

The mixed result came as financial markets stabilized a day after world stock prices reeled amid a slew of profit warnings and poor economic data along with worries over a Japanese banking crisis.

Larry Wachtel of Prudential Securities said that "the crisis atmosphere that prevailed (Wednesday) has dissipated for the moment," thanks to reassuring comments from Tokyo and a stabilization in European markets.

But he said trading remained volatile and a test of the resilience of traders.

"It's an hour-by-hour gut check," he said.

Some investors were reassured by a 2.6 per cent rebound in the turbulent Tokyo market overnight. Others drew comfort from a benign profit outlook from Finnish giant Nokia.

In London, the FTSE 100 index, which had lost five per cent of its value in three frenzied trading sessions this week, pulled away from 27-month lows to close up 103.3 points, or 1.84 per cent, at 5,729.2 points.

The Paris CAC-40 also rallied, closing up 1.22 per cent at 5,177.66 points.

The Frankfurt market rebounded, the DAX index moving up 1.65 per cent to 5,889.65 points, led by telecom and tech stocks.

The DJ EuroStoxx 50 index closed up 1.07 per cent.

While the early Wall Street rally lifted Europe, most of the gains here evaporated amid further concerns about corporate earnings in the face of a slowing US economy, and the size of an expected rate cut by the Federal Reserve next week.

"There is still no good news for tech stocks, so people took the minor rally this morning to exit the sector. We are still seeing the lagged impact of the intensive coverage of the rout of past week," said SG Cowen's Charles Pradilla.

Investors are still focusing on macroeconomic issues with the travails of the Japanese financial system continuing to be a major concern, said Pradilla.

Ned Collins of Daiwa Securities America remained skeptical despite the respite.

"Our market is a six-month leading indicator," he said. "I think it's telling us that the economy six months from now is not going to be outstanding. I'm not sure what the catalyst is going to be to cause this market to rise."

Investors took comments from Nokia -- which maintained its first quarter EPS estimate albeit on lower revenues -- as a catalyst for some early bargain-hunting in the technology sector.

Nokia soared 3.15 dollars, or 14.5 per cent, to 24.95.

In the chip sector, Applied Materials slid 2-1/16 to 46-1/8 after offering buyouts to as many as 1,000 employees, as part of its ongoing efforts to cut costs in the face of further weakness in semiconductor capital expenditure.

Micron fell 2.22 to 41.30 after a Robertson Stephens analyst cut his full-year earnings estimate.

Intel shed 9/16 to 28-1/2, and AMD fell 38 cents to 23.56. Texas Instruments edged down three cents to 31.48, and Motorola dropped eight cents to 14.41.

EDS -- up 1.75 to 58.50 -- said it signed a multi-billion dollar deal with Sabre under which it will acquire Sabre's airline infrastructure outsourcing business.

On the bond market, the yield on the 10-year Treasury bond eased to 4.788 per cent from 4.829 per cent Wednesday and on the 30-year bond to 5.273 per cent against 5.269 per cent. Bond yields and prices move in opposite directions.

S'pore hopes for free trade deal with US before end of year

AFP, *Washington*

Singapore's Trade and Industry Minister George Yeo said Thursday he hoped a free trade deal with the United States, Washington's first-ever with an Asian state, could be wrapped up by the end of the year.

Yeo said at the end of a four-day visit here that although differences remained between the two sides, he believed they were bridgeable.

"I am hopeful it can be completed before the end of the year," said Yeo. "If it could be done before APEC leaders meet in Shanghai (October) that would be good. But we are not holding our breath."

Differences still between the two sides, reportedly include US-concerns over labour and environmental standards.

"There are issues but nothing ... so problematic that its likely to torpedo the agreement," said Yeo.

Both sides laid out their positions in talks on Tuesday between Yeo and new US Trade Representative Robert Zoellick before respective negotiating teams reconvene in Singapore in May.

Yeo and Zoellick's meeting was the first high-level encounter between the two sides since President George W Bush's Republican administration took power in January.

Singapore and the previous US administration had both hoped to conclude the deal before the end of Clinton's second and final term in January but fell short.

The tiny but affluent Southeast Asian island republic is also negotiating free trade agreements with a host of other countries, including Japan and Australia, after concluding a deal with New Zealand last year.

PHOTO BKB

Industries Minister Tofail Ahmed hands over loans to the slum-dwellers of Dhaka city under Ghare Fera (rehabilitation of slum dwellers to their own villages) programme organised by Bangladesh Krishi Bank at the bank's head office on Thursday. Prof Ali Ashraf MP, Chairman of the Parliamentary Standing Committee on Ministry of Finance, Dr Shoaib Ahmed, Secretary-in-Charge, Ministry of Agriculture, Murshid Kuli Khan, Managing Director of BKB, also spoke on the occasion. The meeting was presided by Dr Mirza Abdul Jalil, Chairman of the bank's Board of Directors.

Carrefour's S'pore operations slip into the black

AFP, *Singapore*

Carrefour's operations in Singapore slipped into the black in 2000, a year ahead of schedule, posting a net profit of 500,000 Singapore dollars (287,356 US), the Business Times reported Friday.

The French retail chain, which moved into the city-state in 1997, had forecasted its operations would only turn in a profit in 2001. It made a loss of two million dollars in 1999.

Carrefour Singapore's managing director Luc Dayot told the newspaper revenues rose 7.6 per cent to 127 million dollars in 2000.

Company officials could not be reached for comment.

The French group is now on the look out for expansion opportunities to add to its 93,108 square foot (8,379 square metre) store located in Singapore's prime shopping belt.

The group had initially planned to open five stores within five years but Dayou said "we want to be sure when we open new stores, it will be a good offer."

Brazil bans European meat by-products

AFP, *Rio De Janeiro*

Starting Friday, Brazil will ban the import, transport or sale of meat by-products from 13 European countries in a bid to prevent the spread of foot and mouth disease, the Health Ministry announced Thursday.

The ban, which does not apply to dairy products, requires products containing meat derivatives to be removed from Brazilian supermarkets.

Brazil Agriculture Ministry had already suspended the import of live animals, meats and genetic materials in November.

"The government has decided to suspend the importation of meat derivatives to protect the population from diseases like mad cow and foot-and-mouth, which have been detected in those countries," Health Minister Jose Serra said.

The ban applies to products from the United Kingdom, Ireland, Germany, Belgium, Denmark, Spain, France, Italy, Lichtenstein, Luxemburg, Holland, Portugal and Switzerland.

In practise, the new measure will have little impact, since Brazil imports very few meat derivatives from Europe, and almost none from the countries listed in the ban.

Barclays 2000 profits jump 42pc

AFP, *London*

British bank Barclays said Thursday that full-year pre-tax profits jumped by 42 per cent last year, when it axed a tenth of its branches under a controversial cost-cutting plan.

Pretax profits in 2000 rose to 3.5 billion pounds (5.5 billion euros, 5.1 billion dollars), the bank said in a statement.

The figures beat analyst expectations of between 3.16-3.58 billion pounds.

The strong results are likely to raise eyebrows among many disgruntled customers who voiced strong criticism of Barclays' decision last April to shut down 171 branches, many in rural areas.

Hyundai may run Daewoo Motor

AFP, *Seoul*

Hyundai Motor Co. may take over the management of Daewoo Motor Co under a government plan if negotiations over a General Motors Corp. (GM) takeover break down, a newspaper report said Friday.

The Chosun daily quoted an unidentified government official as saying it was part of a government contingency plan in case its bid to sell the troubled automaker to GM fails.

"Although GM is expected to renew its commitment to buying Daewoo Motor and present its offer to acquire it in April we have set up contingency plans in case negotiations should break down," the official said.

"One of the plans is entrusting management of Daewoo Motor to Hyundai Motor," he was quoted as saying.

Ford Motor Co. abruptly pulled out of a 6.9 billion dollar deal to acquire Daewoo Motor last September, embarrassing the government and creditor banks.

Since then, GM has conducted a due diligence investigation of Daewoo Motor's finances but has since made no further announcement.

El Salvador seals borders to European animal products

AP, *San Salvador*

El Salvador suspended all imports of animals, and animal products from the European Union to stop the spread of foot-and-mouth disease.

The Central American country, which has had no reported cases to date, also banned products from South America, except Uruguay and Chile, which still have been deemed free of the disease.

Britain has been devastated by an outbreak of foot-and-mouth disease, which attacks cattle, sheep, hogs and other animals with cloven hoofs.

"France reported its first confirmed case of the disease Tuesday.

Foot-and-mouth disease is not harmful to humans, but it spreads so quickly that entire herds and flocks must be destroyed to stop it. The virus can be spread by footwear and motor vehicles.

US Senate clears bill to overhaul bankruptcy code

REUTERS, *Washington*

The US Senate Thursday cleared a bill to overhaul the US bankruptcy code and make it harder for individuals to wipe out their debts.

Key provisions of the legislation include:

The Consumer Bankruptcy "Means Test."

The bill would set new standards for how much relief debtors can receive and how much they can be made to repay.

Debtors with income, after subtracting clearly defined living expenses based on those laid down by the IRS, of $100 a month, or $6,000 over five years, would be disqualified from Chapter 7 bankruptcy and put into Chapter 13.

Chapter 7 allows most unsecured debts, such as credit card debts, to be wiped out. Chapter 13 requires debtors to set up a plan to repay some of those debts over several years.

In a "safe harbour" for low-income debtors, the changes will not apply to anyone earning less than the median income for their state of residence.

The bill requires that every debtor must receive counseling from an approved credit counseling agency before they can file for bankruptcy. That counseling must include an analysis of their financial situation, how they got into trouble and what other options they might have.

In addition, debtors will not be able to receive a final discharge of their debts unless they take a course in personal financial management after filing for bankruptcy.

The bill extends the minimum time allowed between Chapter 7 filings from six to eight years and, for the first time, sets a limit, of five years, for repeat Chapter 13 filings.

The bill sets a nationwide limit of $125,000 for how much of the value of their homes debtors may shield in bankruptcy. Currently, so-called homestead exemptions are set by the states and range from zero in Maryland and four other states to no limit in Florida, Texas and three others.

Critics say unlimited exemptions let formerly wealthy debtors keep homes worth, in some cases, millions of dollars even as they discharge huge debts, and argue rich deadbeats often move to the states offering them for just that purpose.

Lawmakers from states with unlimited exemptions have vowed to keep fighting the change. They back a compromise, reflected in the House of Representatives version of the legislation, that would set a $100,000 cap, but only for homes purchased within two years of filing for bankruptcy.

Current law requires the repayment, on the grounds of fraud, of any credit card debts or cash advances of more than $1,075 for nonessential goods and services incurred within 60 days before a debtor files for bankruptcy.

The bill lowers the threshold amount for card purchases and borrowings to $750, and extends the time periods to 90 days and 70 days respectively. The change effectively expands the amount of debt creditors will be able to reclaim.

The bill will end the current practice of allowing debtors filing Chapter 13 bankruptcy to reduce, or "cram down", the value of an auto loan from the total remaining balance to the current market value of the vehicle.

Instead, a debtor owing $10,000 on a car currently worth just $7,000 will have to repay the full amount if they want to keep possession of it.

Aussie dollar poised to sink to new low

AFP, *Sydney*

The Australian dollar is poised to sink below the 49 US cent mark as the bears in the foreign exchange market continue to maul it, dealers said Friday.

After tapping yet another record low early Friday during offshore trading of 49.06 US cents, dealers braced themselves for further falls.

"It will trade at 48 cents probably in the next few days," National Australia Bank currency strategist Greg McKenna said.

"It still looks weak, technically it looks weak -- there are no buyers, there's little reason to buy."

Prime Minister John Howard reiterated once more that the fundamentals of the Australian economy -- public sector debt, inflation and interest rates -- remain sound.

However, the government's attempts to talk up the dollar's fortunes have been ignored by the market.

"There is a lot of financial turbulance on world markets and a small currency like Australia's gets buffeted in the process. People get a bit nervous and they put their money into the big currencies like the American dollar."

Howard said the US dollar acted as a magnet to global capital during periods of international financial turbulence -- a factor beyond the government's control.

The consumption tax levied on goods and services (GST) his conservative coalition government introduced in July is not responsible for the weakness of either the dollar or the economy.

After the dollar fell through the psychological barrier of 50 US cents late Wednesday, analysts said it could even bleed its way down to the 45 US cent mark.

"There is nothing particularly magical about 50 cents. But the strength of the Australian economy warrants a higher dollar over the medium to longer term. It certainly does."