G-24 ministers open talks on global economy

AFP, Washington

Top finance officials from 24 developing countries convened here Saturday to discuss prospects for global growth and the impact of a worldwide slowdown on their own economies.

The Group of 24 comprises finance ministers and central bank governors from Asia, Latin America and Africa. Their talks will produce a statement to be considered by the policymaking bodies of the International Monetary Fund and World Bank, which meet here Sunday and Monday.

The discussions are taking place against a backdrop of weakening worldwide economic momentum, notably in the United States, Japan and Europe, that according to the IMF will have a punishing effect on the poorer nations.

Slower growth in the industrialized world means lower export earnings in the developing world and a shrinkage in capital investment from overseas.

US Treasury Secretary Paul O'Neill on Friday maintained that developed countries have an obligation to grow their economies to their full potential in order to help raise living standards elsewhere.

G24 ministers are also expected to focus on lingering trade barriers in the developed world, which according to the IMF discriminate against goods from poor countries, and efforts by the IMF and the World Bank to ease the debt burden carried by the poorest nations.

G-7 meeting discusses ways to prevent global economic slide

AP, Washington

Financial leaders of the world's richest nations want to prevent the sputtering global economy from toppling into recession and will work on ways to keep that from happening.

Treasury Secretary Paul O'Neill, Federal Reserve Chairman Alan Greenspan and their counterparts from six other major industrialised nations were confronting thorny issues at their meeting Saturday at Blair House across from the White House.

But one thing the Group of Seven, or G-7, officials apparently won't have to worry about is the huge anti-globalisation protests that clogged Washington's streets last spring and resulted in 1,300 arrests.

Temporary steel barricades were in place and police officers were in position as the first demonstrations against the economic policies of World Bank and its sister institution, the International Monetary Fund, got underway Friday.

About 25 demonstrators picketed near the headquarters of the two institutions in the first of what they have billed as "militant but nonviolent" protests that culminate with a two-hour rally Sunday.

As the ministers gathered they received some good news in the form of better-then-expected growth rates in the United States, the world's largest economy, in the first quarter of 2001.

Among the most pressing concerns at the G-7 meeting is Japan, the second largest economy, which still is struggling with a decade-long bout of weakness. A new prime minister, Jun Ichiro Koizumi, took office this week pledging to clear up the country's troubled banking system.

But if he moves too abruptly Japan runs the risk of falling into a recession at a time when the rest of the world's economies are and bank governors want to correct.

Continuing financial problems in Turkey and Argentina have renewed worries of spreading financial instability among developing nations. A new 10 billion IMF rescue package for Turkey is expected to be completed over the weekend and Argentinian officials will hold talks with IMF officials on their economic difficulties.

There is also a controversy over whether the European Central Bank should cut interest rates to help speed a global recovery. The bank left them unchanged earlier this week. This move drew criticism from the IMF Fund, which said they should have reduced them a month ago.

Wim Duisenberg, the head of the bank in the 10-nation euro zone, is expected to tell the United States and other G-7 partners that the bank's main job is to control inflation. It has been running above the targeted ceiling of 2 per cent so the European bankers felt they had to leave interest rates alone.

Previewing the talks Friday, O'Neill said the administration believed the United States was doing its part to guard against a global downturn with the Federal Reserve's aggressive easing of interest rates and by President George W Bush's efforts to get congressional approval for across-the-board tax cuts.

He said Japan and Europe need to pitch in as well, although he did not specify what policies they should pursue.

"I attach tremendous importance to strong and balanced growth in the context of interdependent US, European and Japanese economies," O'Neill said in a statement. "A healthy global economy requires all of us to perform to our full potential.

PHOTO: AFP

Japanese Finance Minister Masajuro Shiokawa (C) speaks to reporters in Washington, DC Friday. Shiokawa is in the US to attend a meeting of his counterparts from the Group of Seven industrial nations this weekend that is part of the IMF/World Bank Group Annual Spring Meetings.

IMF, US snub European rate cut expectations

REUTERS, Washington

The IMF and its most powerful member, the United States, Friday sought to downplay expectations that this weekend's meeting of the Group of Seven nations would lead to a demand that Europe cut interest rates.

With global economic growth expected to slow this year to 3.2 per cent from almost 5 per cent last year, the US Federal Reserve has aggressively cut interest rates and Japan has adopted a more proactive monetary policy.

But in Europe, where growth this year is expected to be stronger than in America or Japan, the European Central Bank has left interest rates unchanged since October. That doggedly held policy stance has drawn the ire of some who feel the 12-nation euro zone should look beyond domestic considerations and do more to help boost faltering global growth prospects.

"The world economy is going through a very difficult phase, and policymakers... are coming here, first and foremost, to discuss what needs to be done to give renewed momentum to global growth," IMF Managing Director Horst Koehler said at a news briefing at the lender's spring meeting.

On Thursday, the ECB left interest rates alone. That day in Washington, IMF chief economist Michael Mussa said the ECB should have cut rates a month ago and accused Europe of being "part of the problem" rather than "part of the solution."

But Koehler sought to distance himself from that sentiment on Friday. The IMF chief said Mussa's comments had overstated the position and even went as far as to suggest that the man who has spearheaded the IMF's research department of a decade was playing up to the media.

Noting that Mussa liked to give colorful and "entertaining" press conferences, Koehler said, "his formulations may not have been the absolutely appropriate one."

Koehler's jibes, albeit accompanied by the admission that Mussa was "a brilliant economist," seemed an ignominious epitaph to the economist's tenure as chief IMF number cruncher since he has already announced he plans to step down in June.

Mussa was not immediately available for comment.

Koehler even seemed to tone down his own remarks, saying, "I didn't ask for an (ECB) interest rate cut, I said it was helpful."

Intense speculation that the United States would lead demands for Europe to cut interest rates were dismissed on Friday by US Treasury Secretary Paul O'Neill.

"I don't have a comment about what the European Central Bank should be doing," O'Neill said, adding that he does not offer advice to Fed chief Alan Greenspan and it would be "particularly inappropriate" to try to advise Europeans.

O'Neill brushed off suggestions that his comments lately urging faster growth were an effort to pressure the ECB into lowering interest rates as the United States has done.

Koehler said he would seek to have constructive debate with European officials this weekend on the need to cut interest rates. But his contention that he had not actually demanded that Europe's central bank cut rates seemed at best to be splitting hairs.

In Berlin at the start of April, Koehler said, "an interest rate cut by the European Central Bank would certainly help the European economy."

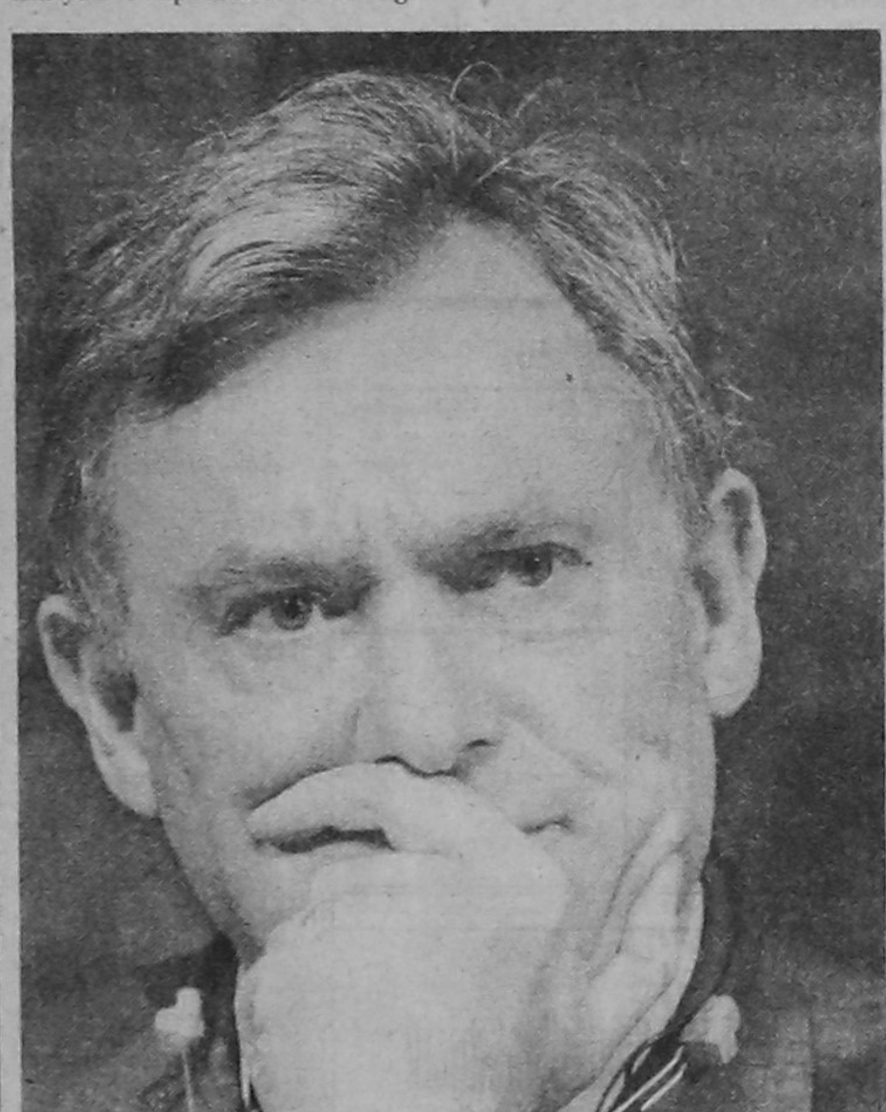

PHOTO: AFP

IMF Managing Director Horst Kohler pauses during a press conference on Feiday at the start of the World Bank/International Monetary Fund meetings in Washington, DC. Koehler said that his chief economist had gone overboard in criticising the European Central Bank's stand on interest rates.

IMF announces $10b package for Turkey

AFP, Washington

The IMF and World Bank have agreed to extend 10 billion dollars to support the rocky Turkish economy, IMF managing director Horst Koehler announced here Friday.

The IMF executive board had met the previous day to discuss Turkey's economic reform program, he told a news conference before weekend meetings of the International Monetary Fund and World Bank.

"The board expressed strong support for the program and commended the Turkish authorities for their efforts in implementing the program's measures," Koehler said.

"Although final details of the program still need to be resolved, the IMF stands ready to support Turkey on its way to economic recovery," the IMF chief added.

"Additional financing from the Fund and the World Bank in support of the program would be in the order of 10 billion dollars."

Turkey abandoned a crawling peg between the Turkish lira and the dollar on February 22 in the face of an exodus of funds following a widespread loss of confidence in the government's economic management.

Financial crises, the depreciation of the currency, and the resulting price pressures, broke the basis of the the previous IMF-agreed anti-inflation program.

But the IMF said it was confident in the new plan.

"There is no absolute certainty but there is a high possibility that this program works," Koehler said.

"I think the Turks have come to a difficult, painful process of recognising reality," he said.

Koehler said he backed Turkey's decision to float the currency.

"This will help pave the way for getting out of this crisis with growth," he said.

The IMF chief said he was "not amused" by some commentators' criticisms of the Turkish people.

"The Turkish people are solid people, hard working, renowned for paying back loans, debt; this should also count," he said.

Turkish Economy Minister Kemal Dervis had drawn up a far-reaching program of economic reform, with a commitment to restructure the banking sector, which was the core problem, Koehler said.

US slowdown to hurt emerging economies: Wolfensohn

REUTERS, Washington

The United States should escape a recession but the slowdown in the world's top economy is a big worry for the World Bank because it will hurt economic activity in developing countries, the lender said Friday.

The Washington-based lender is expecting US growth this year to be in the "low ones" of a percentage point which would crimp growth in the developing world into the "mid-fours" of a percentage point, World Bank President James Wolfensohn said.

"It would be my hope that we would see no falling off a cliff, but a gradual recovery that will move into next year," he told a news conference at the International Monetary Fund and World Bank spring meetings here.

Wolfensohn outlined the bank's priorities for discussions during the meetings. Top of the agenda for the World Bank will be tackling problems connected with HIV/AIDS, education, trade, financial architecture and poverty reduction.

But while the world's poorest nations receive a lot of World Bank attention, Wolfensohn said he believed his organisation should continue to be involved in the economies of middle-income countries such as Turkey and Argentina.

He confirmed that the bank would be involved in the 10 billion dollar package being hammered out for cash-strapped Turkey. But the World Bank head said he was unable to reveal the size of the participation until the executive board has discussed the proposal. This was due to happen sometime in the next 24 hours, he added.

Turkish Economy Minister Kemal Dervis told reporters on Thursday that he was expecting an infusion of $10 billion with around $1.5 billion of that coming from the World Bank.

Addressing troubled Argentina, Wolfensohn said that this second crisis to hit the country would have the support of the bank if it was needed.

"We're supporting the programme of the government and we think it's on track – we're not getting hysterical about it," he said, adding that new economy minister Domingo Cavallo is doing a good job.

Wolfensohn said that there had been significant progress in the programme to reduce the debt burden of the world's poorest countries with 22 of them now participating in the Heavily Indebted Poor Countries initiative (HIPC).

But he said that introducing a third round of HIPC "would bankrupt the institution" unless shareholders substantially increased their contributions to World Bank funds.

Earlier this week, the bank released a report saying the debt burden of some HIPC countries is still unsustainable.

Asked whether providing further debt relief would help these countries in making their debt payments, Wolfensohn said that "debt relief is far from the only issue" with regard to sustainability. He said that the key to sustainability is how a country's government implements policies.

Wolfensohn quashed recurring rumours that he plans to step down as chief of the Washington lender.

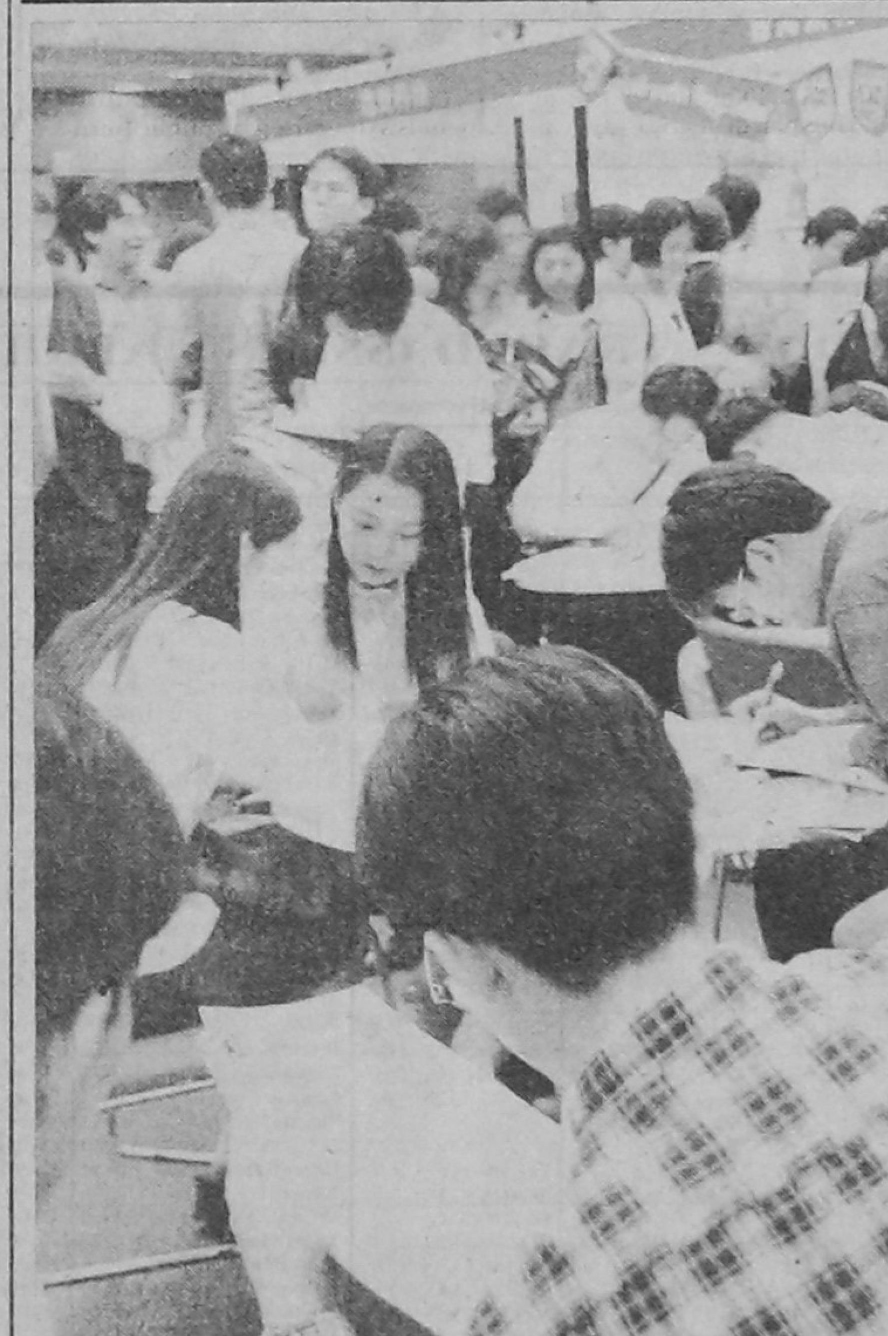

PHOTO: AFP

Hundreds of students fill out work application forms during a fair for work opportunities organised by Cheers magazine at Taipei Convention Center yesterday. Some 210,000 students will graduate from universities and colleges this summer and Taiwan's unemployment rate is up to four per cent in April.

Turkey grants central bank autonomy

AP, Ankara

Turkey's parliament approved a law Wednesday granting autonomy to the country's Central Bank, one of 15 measures that economy minister Kemal Dervis has said are vital to the country's recovery programme.

The new law will make the Central Bank independent of the government and entrust it with running monetary policy to meet inflation targets.

Dervis left for the United States Wednesday to seek international support for his recovery programme, designed to ease a crisis which has seen Turkey's currency plunge over 40 per cent against the dollar, while some half-million Turks have lost their jobs.

Before his departure, Dervis spoke in a late-night parliamentary debate on the Central Bank Law. He urged lawmakers to back changes which he said would end political pressure on the bank and bar governments from printing money to fuel the economy in pre-election periods.

"With this law we're all tying our hands, this government and the governments that will follow it," he said.

During his visit to the United States, Dervis will meet officials from the US government, the International Monetary Fund and the World Bank. He will be seeking some $15 billion in loans to back the programme, Turkish daily Radikal reported Wednesday.

Metal: Weekly Roundup

Gold moves in tight range, silver slips

AFP, London

Gold prices moved in a tight range, with fluctuating lease rates and the dollar nudging the price up and down all week, but the precious metal failed to break much higher amid continuing gloomy sentiment over market prospects.

Gold was fixed at 264.60 dollars an ounce on Friday afternoon, from 263.85 dollars at the end of the previous week.

Strong US economic growth figures which emerged Friday could moreover bear down on prices in future, if they encourage investors to venture back into equities and bonds, analysts said.

"The strong GDP figure is probably a slight negative for gold but I wouldn't overdo it," said Macquarie Bank metals analyst Kamal Naqvi.

Silver: Dull. Silver prices slipped slightly this week in thin trading. An ounce of silver was fixed at 4.40 dollars on Friday from 4.43 dollars the previous week.

Palladium and Platinum: Bear. Platinum group metals fell this week as healthy volumes hit the market, analysts said.

The complex has come under pressure after record palladium prices earlier this year, as volumes from Russia finally filter through.

Palladium edged down to 685 dollars an ounce on the London Platinum and Palladium Market (LPPM), from 692 the previous week.

Platinum meanwhile dipped to 596 dollars an ounce from 620 dollars.

Base Metals: Mixed. The base metals complex churned about this week as traders focused on sector-specific news rather than macroeconomic developments.

Surprisingly strong first-quarter US growth figures published on Friday failed to spark any visible fresh buying interest.

"Clearly, metals are intricately linked to what happens with economic growth and this is a pretty supportive if somewhat surprising figure," said Macquarie Bank analyst Kamal Naqvi.

But he added: "Metals demand in the US has been significantly weaker than that GDP figure suggests. Two-per cent growth in GDP does not reflect what is happening in metals and I suspect it will be largely dismissed."

Copper brushed aside a strike threat at the Chuquicamata copper mine, the largest belonging to Chilean group Codelco, falling 24 dollars to 1,693 dollars.

Nickel climbed 20 dollars to 6,420 dollars.

GNI brokerage analyst Lawrence Eagles said: "Physical traders say that the run-up in nickel prices in recent days has prompted stainless steel producers to rush in to buy now for fear that prices will jump above 7,000 dollars a tonnes."

The International Lead and Zinc Study Group said lead would not be affected by the global downturn as much as most other commodities because its major market was lead-acid batteries, which were not that sensitive to economic fluctuations.

Commodity: Weekly Roundup

Prices of oil, sugar up while cotton down

AFP, London

Oil prices barreled higher this week, led up by surging US gasoline prices which hit highs not seen since the 1991 Gulf War.

In London, benchmark Brent North Sea crude for June delivery swept up to 27.87 dollars a barrel from 26.74 dollars the previous week.

In New York, the light sweet crude May contract welled up to 28.43 dollars a barrel early Friday from 28.00 dollars the previous week.

Dealers and analysts said the market was continuing to be led by the nose by US gasoline prices, which have soared to decade highs, amid fears of a tight supply during the US summer driving season.

On Thursday, the price of a gallon of gasoline rose 2.87 cents to 1.109 dollars. Strong gasoline prices helps the crude price because refineries need to buy more crude to boost production to meet the additional demand.

"The market was inspired again by gasoline in the States making new highs," said Prudential Bache analyst Tony Machacek. "Stocks are still very low overall and this confirms (concerns) about potential shortages during the summer."

Analysts said the gasoline situation in the United States was tight, and that any disruption could cause local supply shortages and sharp price rises.

Rubber: Squeeze. Rubber prices remained under pressure this week, depressed by the weakness of the Indonesian rupiah and a marked absence of buyers.

In Kuala Lumpur, the RSS index ticked up to 2.305 ringgit per kilo from 2.295 ringgit the previous week.

In London, the May rubber index lost ground, edging down to 48 pence from 48.75 pence.

"The Indonesian rupiah has weakened considerably and has gone through this psychological barrier of 12,000 (to the dollar), which makes for cheaper rubber," said one trader at the Symington brokerage.

"Unfortunately there hasn't really been a lot of interest even at these lower levels," the trader said.

Cocoa: Steamy. Cocoa prices perked up after number-one producer Ivory Coast forecast a fall in this season's harvest.

On London's LIFFE financial futures exchange, the price of a tonne of cocoa for July delivery rose to 810 pounds from 776 pounds the previous week.

Coffee: Switched. Coffee prices dipped in London but nudged up in New York as traders mulled a decision by Brazil to switch retention from the hands of exporters to producers.

On LIFFE, Robusta quality for July delivery was selling for 565 dollars a tonne from 567 dollars a week earlier.

On the CSCE, the New York futures market, Arabica prices for July delivery rose to 61.25 cents a pound from 60.65 dollars.

Traders were digesting a decision by Brazil to transfer responsibility for withholding supplies under the Association of Coffee Producing Countries' retention plan from exporters to producers, who already have stockpiles.

Sugar: Shipped. Sugar prices gained this week in London and New York amid rumours of long-awaited buying interest from China and worries over European plantings.

In New York, a pound of white sugar for May delivery advanced to 9.19 cents from 8.80 cents a week earlier.

On the London market, May contracts perked up to 235.20 dollars a tonne against 228.50 dollars the previous week.

Czarnikow brokerage analyst Chris Pack said that prices had been supported by "a rumour that a small cargo has been from chartered Thailand to China.

"Whether that's just testing the water we don't know."

The market was also concerned about the lateness of new sowings in Europe, he said.

Soya: Saturated. US soya prices remained depressed by burgeoning production.

On the Chicago Board of Trade (CBoT), a bushel of soya for May delivery eased to 4.2875 dollars from 4.2925 dollars the previous week. A bushel of soyabean meal – used in animal feed – for May delivery slipped to 154 dollars a tonne from 153.80 dollars.

"Futures for soyabeans, already depressed by record new-crop supplies from Brazil, weakened further in anticipation of a rise of almost one million hectares (2.5 million acres) in the US planted area in 2001," the International Grains Council said in a monthly report.

Grains: Split. High temperatures across the US Midwest helped wheat prices tick up, as dealers feared crop damage. But the warm conditions encouraged greater sowing of maize, bearing down on maize prices, according to the International Grains Council.

On the Chicago Board of Trade, a bushel of 27.2 kilos of wheat for May delivery pushed up to 269.75 cents from 267.50 the previous week. But a bushel of 25.4 kilos of maize for May delivery fell to 199.75 cents from 204.50 cents.

On London's LIFFE market, a tonne of wheat for May delivery was selling for 77 pounds from 75.50 pounds the previous week.