G7 leaders shrug off US slowdown fears

World economic fundamentals seen sound

REUTERS, *Washington*

The leaders of the world economy on Saturday delivered an upbeat assessment for global growth that shrugged off the threat of a U.S. slowdown and said that they would stop telling each other what to do.

"Although global growth has slowed over the past year, the foundations for economic expansion are sound," said a joint statement issued after a meeting of finance leaders from the Group of Seven industrial nations. "In fact, the prospects for improving the world standard of living are compelling."

U.S. Treasury Secretary Paul O'Neill said at a briefing following the meeting that "there was a sense of real optimism" on global growth among participants.

The statement from the ministers and central bankers from the Group of Seven countries – the United States, Britain, Canada, France, Germany, Italy and Japan – was carefully crafted to shore up confidence that a slowing global economy would not slide into recession.

According to forecasts made this week by the International Monetary Fund, the global economy will grow by 3.2 per cent this year after an almost 5.0 per cent expansion last year.

No pressure on the ECB

O'Neill said that he had not raised the issue of interest rates in the euro common currency zone and European Central Bank President Wim Duisenberg said separately that there had been no pressure on the bank to ease interest rates.

The ECB had been under fire for refusing to follow other G7 authorities in cutting interest rates this year. The IMF was among those leaning on the ECB to ease policy, saying the central bank should help shelter slowing world growth.

Duisenberg said that the ECB's explanations had been received loud and clear, adding that its caution had been justified by the risks of inflation, which now looked likely to remain above its target range for the entire year.

"We understand that different countries will approach these policies . . . in different ways. We respect these differences and it is not our intent to give direction to each other," Duisenberg said.

He said the ECB now expected inflation to remain above the upper range of its zero-to-two per cent price tolerance range until early next year, indicating that its scope to cut interest rates this year was looking slim.

High energy prices were among factors pushing eurozone inflation to 2.6 per cent in February and March and the G7 communique made direct reference to a renewed advance in the price of crude oil.

"We recognize that lower energy prices and stable oil markets are important," the statement said.

Crude oil has risen back above $25 per barrel and closed on Friday at $27.80 a barrel.

US fundamentals sound

The finance leaders also said fundamentals of the slowing U.S. economy, the engine of global growth in recent years, were sound. "In the United States, growth has slowed sharply. However, long-term economic fundamentals . . . remain strong."

The statement indicated that the United States, Europe and Japan remain content to give each other space to fix their own problems, saying they would each work to make their economies grow closer to their potential.

U.S. monetary policy should continue to bolster growth in the world's richest economy and maintain price stability, the statement said, adding that U.S. fiscal policy should target boosting long-term fundamentals.

The U.S. Federal Reserve has slashed interest rates by 2 percentage points since the beginning of the year to underpin flagging growth. Congress is considering a tax cut, but the shape and scope of it are the subjects of heated debate.

Without touching on European monetary policy, the statement said that Europe should stimulate growth by implementing structural reforms. Those reforms would include changes to unemployment benefits and tax policies to provide greater incentives for work.

In most of Europe, labour market policies are believed to conspire to keep unemployment rates higher than would otherwise be the case.

On Japan, the ministers said the Bank of Japan should provide enough liquidity to prevent deflation. It added that vigorous financial and corporate sector reforms were needed for a sustainable recovery in the moribund Japanese economy.

Although Washington has publicly called on Europe – as well as Japan – to find ways to speed up growth, the expansion of the 12-nation eurozone economy is expected to outpace that of the other economic heavyweights, including the United States, this year.

Japan struggling

According to forecasts released this week by the IMF, the U.S. economy looks set to slow to 1.5 per cent growth this year, while Europe is expected to slow to a 2.4 per cent expansion. Japan, whose economy has been struggling for a decade, is expected to slow to a sluggish 0.6 per cent.

The communique said that both Britain and Canada should continue to support economic growth and job creation, while meeting their inflation targets.

Ministers welcomed the new economic plan by the Turkish government, which is aimed at digging that nation out of a crippling financial crisis.

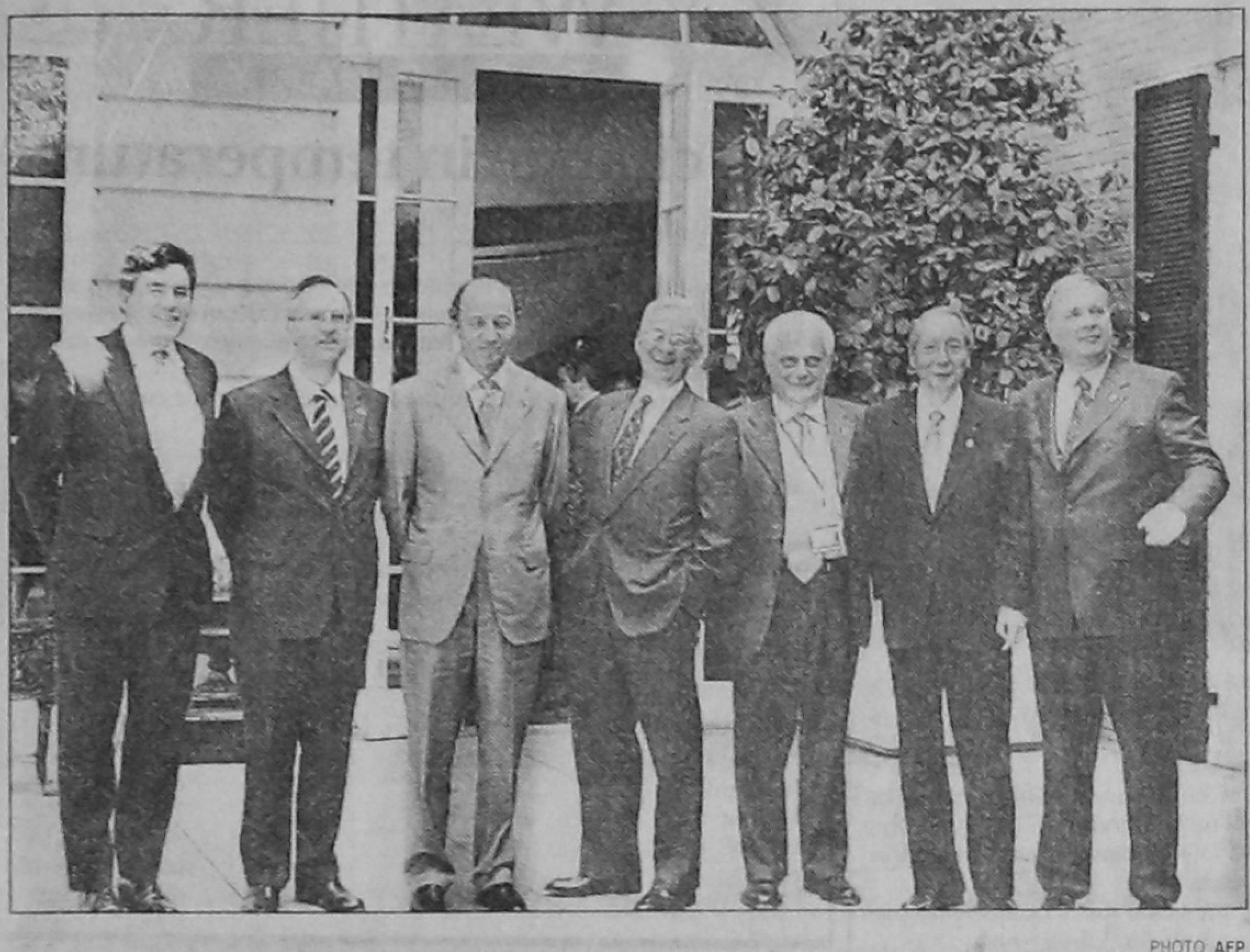

PHOTO: AFP

Senior finance ministers from the world's seven most powerful nations (L-R) Britain's Gordon Brown, Germany's Hans Eichel, France's Laurent Fabius, US Treasury Secretary Paul O'Neill, Italy's Vicenzo Visco, Japan's Masajuro Shiokawa and Canada's Paul Martin pose for a photograph on Saturday during a break in the G7 Finance Ministers Meeting in Washington, DC.

IMF told to make crisis prevention top agenda

REUTERS, *Washington*

Finance ministers from the world's most powerful nations Saturday told the IMF that crisis prevention should be its top priority.

"We stress that strong and effective crisis prevention is a top priority," the joint statement from the ministers said. "Both the International Monetary Fund and individual countries should play key roles in this effort."

The statement said that learning from the lessons of past crises, the IMF should better monitor developments in emerging economies and "encourage early action to correct policies.

That statement from officials from G7 countries – the United States, Japan, Germany, Britain, France, Italy and Canada – signaled a policy shift since their last meeting in Falermo in February.

At that time, the ministers cited crisis prevention among a laundry list of other improvements that should be made at the IMF, but did not single it out as the No 1 objective.

The shift fits neatly with US Treasury Secretary Paul O'Neill's calls for the international lender to develop an "early warning system" to spot crises early in emerging economies. The notion is also high on IMF head Horst Koehler's reform agenda and would hopefully help avoid a repeat of the financial crisis that rocked Asia between 1997 and 1999 and threatened the stability of the entire global economy.

The communique also called on both the IMF and World Bank to, "adopt a more selective approach that sharpens the focus and improves the effectiveness of their operations."

Officials from the G7 countries made their suggestions as part of an ongoing reform at the IMF, a global lending institution that was accused of doing too little to spot problems that led to the Asian crisis.

Starting with the devaluation of the Thai baht currency in 1997, the crisis eventually ripped through the region and places as far afield as Brazil and Russia.

One of the IMF's darkest chapters, the crisis made economies fall like dominoes as financial markets punished countries for creaky banking sectors, weak exchange regimes and a perception of government corruption and complacency.

Koehler, who became IMF managing director last year, highlighted the need for early warning systems at a news briefing on Friday.

"Our most important objectives are improved crisis prevention and financial sector stability," Koehler said. "The fund took many initiatives in the wake of the Asian crisis ... but we need to do still more to put crisis prevention at the heart of the fund's activities."

Pacific tax havens set to defy close-down orders from rich club

AFP, *Auckland*

Pacific tax haven nations, in some cases with Russian mafia and South American drug connections, are defying orders from the world's richest powers to curb their operations.

The Pacific Islands Forum Secretariat said in a weekend statement that its 16 nation membership is "committed to protecting their sovereign right to operate offshore financial centres" and warned the Organisation for Economic Cooperation and Development (OECD) to back off or the Pacific "will have to take recourse to other avenues and fora".

The "Harmful Tax Competition Initiative" of the Paris-based OECD, made up of 30 of the world's richest nations, has set a July 31 deadline on seven Pacific countries, among 35 states, to impose tight new controls over their tax haven banking.

Among them is Nauru which Moscow and Washington authorities claim has seen around 70 billion US dollars worth of mafia money pass through its banks.

Niue meanwhile has given control of its tax haven operation to a Panamanian law firm, bringing allegations it is being used to launder drug money. Earlier this year US banks announced a ban on sending money to Niue.

But Pacific nations claim they are being attacked because they are small and powerless while the big tax haven operations, those operated within the OECD, are not subject to the deadline.

Last week ministers and officials from Cook Islands, Nauru, Niue, Republic of Marshall Islands, Samoa, Tonga and Vanuatu met in Fiji, along with Australia, New Zealand and the OECD Secretariat to discuss the issue.

The acting secretary general of the secretariat, Iosefa Maiava, said in a statement it was "David and Goliath stand-off".

"The seven listed Pacific nations have a combined GDP (gross domestic product) of around one billion US dollars, compared to Australia's annual GDP of around 300 billion dollars, and they have a total population barely one eighth that of Sydney," he said.

Niue, the smallest nation, has a population of only 1,800 and an annual government budget of around 20 million NZ dollars (8.3 million US dollars) and all the Pacific nations have heavy trade deficits with mainly OECD members.

They did not have the resources to address the issues of harmful tax competition, and nor could they negotiate on an equal standing with the OECD, the statement said.

The meeting issued a regional position statement in which they said all nations "have the right to compete in the international financial markets, through the provision of both onshore and offshore financial services".

They concede that "basic standards" have to be met by the opposers but "in a way which does not compromise the right of countries to provide these services".

PHOTO: AFP

People queue up to withdraw money from the Automated Teller Machines (ATMs) at a shopping mall in Singapore yesterday. Rich Singapore banks, which weathered the 1997 regional meltdown better than many of their still struggling neighbours, now have no choice but to go on an overseas shopping spree to ensure growth, but the price will be high, say analysts.

Weekly Currency Roundup

Asian units fall against dollar

AFP, *Hong Kong*

Most currencies in the Asia-Pacific region fell against the US dollar in a week that saw a new team at the helm in Japan, but with an aging finance minister.

Japanese Yen: The yen fell against the dollar as investors were disappointed by the appointment of aged and inexperienced Masajuro Shiokawa as finance minister by Japan's new Prime Minister Junichiro Koizumi.

The Japanese currency stood at 124.04-07 to the dollar late Friday, down from 121.92-95 to the dollar a week earlier.

"Shiokawa is a problem," ABN Amro foreign exchange manager Toshihiko Masaki said. "US hedge funds are still bullish for the dollar and any comments from Shiokawa" will be viewed as a reason to drive the yen lower.

The market considers Shiokawa, 79, to be "too old and too old-fashioned," Masaki said, noting that his unremarkable comments that the market should determine exchange rates helped to push the dollar up.

Koizumi was elected premier on Thursday and immediately formed a cabinet in which Shiokawa stood out as a "speck of cloud in the sky," as one broker put it.

The yen firmed up on Monday and Tuesday as investors positioned themselves for Koizumi's election but fell back on Thursday on reports of Shiokawa's appointment.

It fell further on Friday after Shiokawa said currency operations should be left to the market and on rumours about Bank of Japan governor Masaru Hayami's imminent resignation.

Australian Dollar: Strong demand pushed the Australian dollar higher at Friday's close of trading, raising expectations the Aussie could recover a perch above 52 US cents next week, dealers said.

"We've had a few little setbacks but generally we're ending the week on a high," Westpac Bank currency strategist Adam Myers said.

"That has been surprising given the negative set-backs we had earlier in the week with the rejection of the Woodside bid and stronger than expected inflation.

New Zealand Dollar: The New Zealand dollar ended a holiday-shortened week worth 41.27 US cents, almost unchanged from the 41.29 cents of a week earlier.

One deal described it as a dull week with the kiwi living on the back of the Australian unit which came under pressure over the demise of the DOLA10 billion (DOLNZ12.51 billion) Shell-Woodside deal.

Singapore Dollar: The Singapore currency traded at 1.8188 Singapore dollars to the greenback when the markets closed Friday, down from 1.8010 the previous week.

Hong Kong Dollar: The Hong Kong dollar reached 7.7989-7.7997 to the US dollar on Friday, marginally higher than the previous week's close of 7.7991-7.7999.

Indonesian Rupiah: The rupiah plunged through the 12,000 mark to the dollar Thursday for the first time in 31 months, but recouped slowly Friday to close at 11,800 to the greenback, slightly stronger than last week's close of 11,925.

Traders blamed political tensions, with most saying they saw no hope of a solid strengthening of the currency until after the stand-off between parliament and President Abdurrahman Wahid is defused.

Philippine Peso: The peso fell to 50.87 to the dollar from 50.28 the previous week amid market jitters after supporters of jailed deposed president Joseph Estrada took to the streets demanding his release.

The peso fell to an intra-day low of 51.370 on the last trading day of the week but recovered on profit taking as central bank governor Rafael Buenaventura said monetary authorities were ready to inject liquidity into the market if needed.

WB to vote on $450m power loan for India May 3

REUTERS, *Washington*

The World Bank said Saturday its board would vote next week on lending India's Power Grid Corp $450 million as part of a $1.3 billion package to finance reform and development in the country's power sector.

"The total amount of money, with everything included, is about $1.3 billion," a bank spokeswoman told Reuters.

The multilateral lender's board meets on Thursday to vote on its contribution to the package that has three central elements – two related to efficiency and distribution and a third to Power Grid's diversification into telecommunications.

"Part of the World Bank loan, if approved, will go to support the first phase of laying fiber-optic cables across the (Power Grid) network," the spokeswoman said.

India threw open its long-distance telecommunications sector last August, and Power Grid, which has a network of 24,850 miles (40,000 km) of transmission lines, plans to provide end-to-end bandwidth services.

The loan package is unusual in that it would be granted directly to the state-owned power distribution utility, rather than to the sovereign government of India. The government is, however, guarantor to the programme.

The bank spokeswoman declined to speculate to whether the board's decision would be influenced by the crisis brewing in India's power sector with US energy company Enron Corp (ENE.N).

"The bank is engaged at the national level and the state level in power reforms, broadly," the spokeswoman said, declining to comment specifically on Enron and the questions that its potential pullout from India raised about reform in the mainly state-run power sector.

CURRENCY

Following are yesterday's forex trading statement by **Standard Chartered Bank**

Central Bank Buying and selling band of USD: BDT 53.85/BDT 54.15

Selling		Currency		Buying	
TT/OD	BC		TT Clean	OD Sight Doc	OD Transfer
54.2800	54.3100	USD	53.8300	53.6614	53.5929
49.1882	49.2751	EUR	47.3951	47.2117	47.1351
78.3085	78.3505	GBP	76.8279	76.5614	76.5068
28.0656	28.0901	AUD	26.9980	26.9055	26.8254
0.4411	0.4412	JPY	0.4300	0.4298	0.4288
31.8066	31.8311	CHF	31.0517	30.9572	30.8727
5.3472	5.3524	SEK	5.2574	5.2398	5.2238
35.3183	35.3429	CAD	34.7492	34.6556	34.5724
6.9636	6.9649	HKD	6.9003	6.8826	6.8652
29.934	29.9552	SGD	29.5102	29.4664	29.3517
14.9002	14.9178	AED	14.5283	14.5064	14.4879
14.5888	14.6072	SAR	14.2457	14.2090	14.1908

Usance export bills

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
53.7190	53.3876	52.9451	52.4363	51.8833	50.6444

Exchange rates of some Asian currencies against US dollar

Indian Rupee	Pak Rupee	Thai Baht	Lankan Rupee	Indo Rupiah	NZ Dollar
46.85/46.86	61.17/61.25	45.60/45.70	89.60/90.00	11750/11950	0.4125/0.4135

US dollar			LIBOR		
	Buying	Selling	Months	1	3
Cash notes	53.5929	54.2800	USD	4.43375%	4.31376%
TC	53.5929	54.2800	GBP	5.40031%	5.33672%

Rate to Customer: USD			Rate to Customer: G	
Tenor	NFCD	RFCD	Tenor	NFCD
1	3.09%	2.84%	1	4.03%
3	3.01%	2.76%	3	4.07%
6	2.99%	2.74%	6	4.01%
12	2.99%	2.74%	12	3.95%

SHIPPING

Chittagong port

Berth position and performance of vessels as on 29.4.2001.

Berth No	Name of vessels	Cargo	L Port call	Local agent	Date of arrival	Leaving
J/2	Brisa Azul(72)	GI (St. C)	Mong	Evertt	25/4	29/4
J/3	Pacific Emerald	GI(Copra)	Damya	Allseas	R/A(15/4)	3/5
J/4	Dewan-1	Rice(P)	Kara	OWSL	5/4	3/5
J/5	Mergui	Rice(P)	Yang	MTA	7/4	29/5
J/6	Chol San Bong Chong Nyon Ho	C.Clink	Lang	Nwsl	19/4	4/5
J/7	Zara	GI(Y.Ma)	Sanlo	Angelic	12/4	9/5
J/8	Wood Link	Wheat(P)/GI	Vanc	Mutual	17/4	9/5
J/9	Alam Selar	R.Seed	Kemb	Litmond	4/4	3/5
J/10	Asian Splendor	GI (St. C)	Sing	Everett	24/4	-
J/11	Kota Berjaya	Cont	Sing	Pil(BD)	19/4	29/4
J/12	QC Lark	Cont	P. Kel	QCSL	23/4	2/5
J/13	Kuo Hsiung (Cont)	Cont	P. Kel	QCSL	20/4	30/4
CCT/1	Banglar Shikha	Cont	Sing	BSC	27/4	30/4
CCT/2	Osg Alpha	Cont	Sing	RSL	19/4	30/4
CCT/3	Jaami	Cont	Sing	Cross	25/4	30/4
RM/14	Huang Yun	Gi	Kawa	Jaycee	17/4	3/5
RM/15	Ocean Pride	Repair	Yang	PSAL	28/3	3/5
GSJ	Le Cheng Ling	C. Clink	Koshi	RML	9/4	4/5
TSP	Bombay	R .Phos	Mali	RML	14/2	2/5
RM/3	Skyace	CDSO	Pase	Seacom	26/4	29/4
RM/6	Eagle Aries	HSD/MS	Sing	MSTPL	26/4	30/4
DDJ/1	Banglar Jyoti	Repair	-	BSC	R/A	10/5
Kafco(U)	Vanda Naree	Urea	Viza	MBL	28/4	1/5

Vessels due at outer anchorage

Name of vessels	Date of arrival	L Port call	Local agent	Cargo	Loading port
Mary Nour	29/4	Lang	BSL	Cement	Scan
Qc Teal(Cont)8/4	29/4	P.Kel	QCSL	Cont	Sing
Xuan Cheng (Liner)	30/4	-	Bdship	GI	-
Banga Bijoy(Cont)22/4	3-/4	-	Baridhi	Cont	Col
Xpress Nuptse(Cont)22/4	30/4	-	RSL	Cont	Sing
Sittwe	1/5	Yang	MTA	Rice(P)	-
Salzach (Cont)18/4	1/5	Sing	Bdship	Cont	Sing
Jaya Mars (Cont)3/4	2/5	-	RSL	Cont	Sing
Triumph Hong Kong (48)26/4	1/5	Viza	RML	GI (St. Plate)	-
Danau Toba (48) 26/4	2/5	-	Everett	GI (St. C)	-
Banga Birol (Cont)22/1	2/5	-	Bdship	Cont	Sing
Boxer Capt Cook (Cont)22/4	2/5	-	TTL	Cont	Sing
Banglar Robi (Cont)17/4	2/5	Sing	BSC	Cont	Sing
Yong Jiang (Liner)	2/5	-	Bdship	GI	-
Var	2/5	Mad	JF	Visit	-
Banga Bonik(Cont)25/4	2/5	-	Bdship	Cont	Sing
Da Fa(Cont)25/4	3/5	-	RSL	Cont	Sing
Da Cheng (Liner)	4/5	-	Bdship	GI	-
Artemis(Cont)25/4	4/5	-	TTL	Cont	Sing
Kota Cahaya(Cont)25/1	5/5	Sing	Pil(Bd)	Cont	Sing
Banga Biraj (Cont) 26/4	7/5	-	Bdship	Cont	Sing
Arabella (Cont)28/4	7/5	-	QCSL	Cont	Sing
QC Pintail (Cont)26/4	14/5	-	QCSL	Cont	Sing
Tanker due					
Golden Orient	30/4	Mad	ECSL	HSD	-

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Vessels at Kutubdia				
Energy Explorer-IV	-	-	BBAL	5/4
Ismaya	-	-	Arafeen	17/8
Dea Champion	-	-	Arafeen	R/A (12/4)
Dea Captain	-	-	Arafeen	R/A(22/4)
Seabulk Command	-	-	IBS	R/A (20/3)
Vessels at outer anchorage				
Ready on				
Banglar Kakoli	Rice(P)	Kara	BSC	11/4
Abuja (Cont)	Cont	Col	Everbest	24/4
Apl Colombo(Cont)	Cont	Sing	NOL	24/4
Xpress Resolves(Cont)	Cont	P.Kel	RSL	25/5
Thank God	R.Phos	Hamr	Seacoast	12/4
Exceed-2(48)	GI(St.c)	Yang	Everett	26/4
Leona (Liner)	GI	Sing	Prog	26/4
Acturia (Cont)	Cont	P. Kel	QCSL	27/4
Pretty Falcon	Cpo	Mala	Everett	27/4
Orient Lilac (72)	GI (St. C)	Sing	Everett	27/4
Jurong Balsam (Cont)	Cont	Sing	Nol	27/4
Kota Singa (Cont)	Cont	Sing	Pil (Bd)	28/4
Olympic Flame	CPO	Belw	Rainbow	28/4
Banga Lanka (Cont)	Cont	Col.	Bdship	28/4
Vessels awaiting instruction				
Banglar Urmi	Repair	-	BSC	R/A (18/4)
Banglar Shourabh	-	-	BSC	R/A(23/4)
Vessels not entering				
Paulina	C.Clink	Sing	SETL	13/4
Diana	C.Clink	L.Way	Seacom	17/4
Leopard-1	C. Clink	Koshi	ASLL	26/4
Kapitan Ivanchik	C. Clink	Koch	Seacom	29/4
Sea World	-	Aliza	CCNL	R/A(28/3)
Sarah	Scraping	Jubir	Rainbow	R/A (28/3)
Accord	Cement	Sing	Viking	25/4
Revenge	-	-	Sunshine	R/A (9/10)
Xing Ye	Rice(G)	-	MHCSL	R/A(20/6)
Karya Sentosa	Rice(G)	-	USTC	R/A(18/9)

Movement of vessels for 30.4.2001

Outgoing		Incoming		Shifting
27/4				
J/13	Kuo Hsiung	CCT/2	QC Teal	
CCT/1	B. Shikha	CCT/3	Banga Lanka	
CCT/2	Osg Alpha	CCT/1	Apl Colombo	
CCT/3	Jaami	J/13	Abuja	
RM/15	Ocean Pride	RM/15	Brigiit Star	
RM/4	P. Felcon	DOJ/RM/6	Comuter	
RM/6	Eagle Aries			

The above are shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by **HRC Group** Dhaka.