

## Myanmar urges ADB to lift aid embargo

AFP, Honolulu, Hawaii

Myanmar on Thursday appealed to the Asian Development Bank (ADB) to lift a 15-year aid embargo on the pariah nation, saying it is now on the road to reform.

A member since 1973, "Myanmar has a right to ask for and receive financial assistance from the bank like other members," Finance Minister U Khin Maung Thein told the ADB annual meeting here.

The ADB suspended all lending to Myanmar in 1986 amid western pressure to punish its military rulers for alleged human rights violations. The United States, Canada and 14 European nations have a combined 36.3 per cent stake in the bank.

The minister said it was "regrettable that the bank had overlooked Myanmar's endeavoring in developing the country" using "her own limited financial resources."

Yangon has liberalized border trade and opened highway and port building to the private sector, he added.

But an ADB spokesman told AFP that the bank's board of directors were of the view that "conditions are not yet appropriate" to resume lending to Myanmar.

## Hanoi for quick trade deal ratification by US Congress

AFP, Hanoi

Vietnam said Friday it will seek a quick ratification by the US Congress of landmark bilateral trade accords signed by the two countries last year with then US president Bill Clinton.

"A quick ratification of the trade accords by the American Congress is in the interests of both countries and meets the hopes and aspirations of numerous leaders, MPs and American businessmen," foreign affairs minister Phan Thuy Than said in a statement.

"The process of preparing the conditions necessary for the ratification of the accords has been actively and swiftly set in motion by Vietnam," the statement said.

President George W. Bush on Thursday asked Congress for authority to hold "fast track" trade negotiations, adding he would ask it to approve the trade deals made by the Clinton administration last year with Jordan, Vietnam and Laos.

But the new US administration has yet to bring the Hanoi trade deal before Congress for ratification amid mounting US criticism of Vietnam's human-rights record.

The American Chamber of Commerce in Vietnam has attacked US Trade Representative Robert Zoellick for his handling of the trade pact.

President of the US Chamber of Commerce in Vietnam, Tom Siebert, has said the trade bill could take years to work its way through congressional committees and this "would be tantamount to the US reneging on the promise it made when it signed the agreement."

"Any further delay will damage both the nascent US relationship with Vietnam and its influence in this part of the world," he said.

## Saudi cabinet to study bill on first stock market

AFP, Riyadh

The Saudi cabinet will soon begin reviewing a bill to establish a public stock exchange to replace the existing interbank market, Finance Minister Ibrahim al-Assaf was quoted Friday as saying.

"The cabinet will soon begin reviewing a draft bill on the stock exchange market after the ministry has completed it," the Al-Eqtisadiyah business daily reported him saying.

The NCFI, as the current market is called, has a capitalisation of more than 60 billion dollars -- the most in the Arab world -- and turnover hits several hundred million dollars weekly.

Assaf said the bill is part of an economic restructuring package that also includes new tax legislation, now before the cabinet, and a bill on cooperative insurance that is under study in the Consultative (Shura) Council.

Economists and dealers alike have been urging the government to open a fully fledged stock market in the oil-rich kingdom.

Experts here believe the new step is aimed at meeting preconditions for gaining membership in the World Trade Organisation (WTO), besides luring foreign investment.

The presence of a stock market is expected to boost transparency in share trading and to stop artificial price movements, they said.

## Donors pressure ADB to refine poverty reducing goal

AFP, Honolulu, Hawaii

Western donors and shareholders are stepping up pressure on the Asian Development Bank (ADB) to reform or even reorient its main goal of reducing poverty, officials said yesterday.

The hosts for the ADB's annual meeting set the tone at the opening ceremonies on Wednesday, when US President George W. Bush said in a written message to the bank's governors that Washington wanted "concrete, measurable results."

European and Canadian shareholders weighed in Thursday, with Austria formally proposing that the Bank base its lending allocation on previous results.

ADB lent 5.85 billion dollars to 22 Asian and Pacific member-countries last year.

In recent years the bank has listed the reduction of poverty as its "over-arching" goal.

Sixteen North American and

European nations led by the United States have a 36.3 per cent interest in the bank, which is traditionally headed by Japan.

Washington and Tokyo are joint top subscribers with 15.893 per cent each.

Austrian Deputy Finance Minister Walter Rill urged the bank to coordinate with other aid donors in the region "to avoid duplication and potential waste of scarce resources."

In a speech to the board of governors, Rill said "careful consideration must be given to the question to which extent aspects of a performance-based allocation scheme can be applied in the context of ordinary capital resources lending."

Ordinary ADB loans which carry market rates, are now tailored on each borrower's needs.

Last year, India, China, Indonesia, Pakistan and the Philippines accounted for 74 per cent of all approved loans to the 22 countries.

ADB president Tadao Chino said the board was already applying a performance-based loan allocation scheme on its principal soft-loan window, the Asian Development Fund, after raising 2.91 billion dollars in fresh funding for the four years to 2004.

"We need to seek and respect the logic of comparative advantage, rather than trying to be all things to all people," echoed Larry Baggett, the head of the Canadian delegation.

Britain also complained of wasted ADB resources.

"Development assistance is vital for poverty reduction, but it must be used in new ways," said Ian Brooks of the department of international development.

"Too high a proportion of current resources is spent on small, non-strategic projects and is not targeted on the poor."

ADB officials said an internal audit last year on 26 bank-funded projects showed that 38 per cent

were "assessed less than successful" while 12 per cent were "successful."

The audit placed the overall success rate at 50 per cent.

ADB's self-awarded goal of reducing poverty "follows an obligation to rethink, restructure, reorganize and reorient," said Swedish foreign ministry official Gunilla Olson.

But the most radical assessment came from the US Treasury chief, Paul O'Neill, who told reporters on Wednesday that raising productivity, rather than poverty reduction, was the way to go forward.

"The language of poverty reduction often suggests that the reduction of poverty is a direct goal. That's not what I believe," he said.

"The way to reduce poverty is to deliver higher levels of economic growth and development."

The ways of doing that "are quite diverse, but there are some fundamental means," he said.

Guaranteed by the IMF.

Two staunch critics of the International Monetary Fund Thursday proposed a framework for restructuring the debts of economies mired in crisis that they said should result in fewer financial crises.

The IMF and its supporters believe its rescue packages, decided on a case-by-case basis, offer the best solution to bring stability back to financial markets once a country's economy hits the rocks.

But critics say the case-by-case approach to problems leads to volatility and uncertainty in financial markets that can make matters worse.

**Default with support**

In the paper release on Thursday, the authors proposed that troubled countries should announce a plan to default on their debts while the IMF would simultaneously offer an "official floor of support."

"There is a framework for default where write-downs and restructuring can proceed without systematic risk and where market discipline is reestablished," the report argues.

"With a strong official floor of support, the financial system would be insulated from contagion and the uncertainty that

leads to panic. Private leaders would bear the losses, but losses with predictable limits. At completion, debt burdens would be reduced to sustainable levels," the report said.

Under the proposal, countries would restructure their debts, writing down the value to more sustainable levels with the IMF-led led to place to buy debts from investors.

The report gave Argentina, which accounts for a quarter of emerging market debt, as a hypothetical example.

With about \$90 billion of debts outstanding, Argentina could announce a default and offer to pay investors about 80 per cent of face value.

That would see the IMF offering to pay \$54 billion for the \$90 billion of debts outstanding. But, the authors believe that with the IMF support in place, most investors would rather wait for Argentina's 80 cents on the dollar rather than take a lesser amount from the IMF, allowing for an orderly default.

## China sees humps ahead, to pursue expansionary fiscal policy

AFP, Honolulu

China's red-hot economy should cool down in the second half of the year and government will step up spending to cushion the impact of a global downturn, Finance Minister Xiang Huaicheng said Thursday.

"My personal analysis is that economic growth will be high in the first half and low in the second half," he told an international forum on the sidelines of the Asian Development Bank (ADB) annual meetings here.

Gross domestic product (GDP) in the four months to April was "quite a good increase," and "too good to tell you," he joked.

In response to the weakness of the US and Japanese economies, Beijing would "boost domestic demand for sustainable development," he later told the ADB meeting.



Picture shows Dev Sengupta, Executive Director of CMI (sitting left), and Engr. Lutful Kabir, Executive Director of BASC (sitting right), signing a MOU on joint collaboration at IDB Bhaban in the city recently, as Mahbub Haque, Chairman of BASC, and Saber Hossain Chowdhury, LGRD Deputy Minister, look on.

## Emerging market financing outlook still volatile: IMF

REUTERS, Washington

report said. "We expect the syndicated loan market to remain supportive though the downside risks have risen."

The report showed that issuance of emerging market bonds, equities and loans fell to \$41.2 billion during the first three months of this year compared to \$50.2 billion in the final three months of 2000.

Issuance of bonds during the first quarter was \$26.2 billion, up from just \$9.4 billion in the fourth quarter of last year. Equity issuance was sharply lower at just \$2.2 billion compared to \$12.4 billion in last year's October to December period while first quarter loan issuance was down to \$12.8 billion compared to \$28.5 billion in the final three months of 2000.

The report noted that the data

suggest emerging market fundamentals had weakened over the quarter with emerging market credit quality suffering its first notable setback since late 1999, when the recovery from the Russian financial crisis began. On a positive note, spillovers from the recent financial crises in Argentina and Turkey were modest.

The report showed that spreads on emerging market debt reached 784 basis points over US Treasuries during the first three months of the year, up from 736 basis points in the final quarter of last year.

In the worst case scenario of a full-blown US recession, the IMF predicts that investors would seek higher quality investments, causing spreads on emerging market debts to widen and drying up the new issue market.

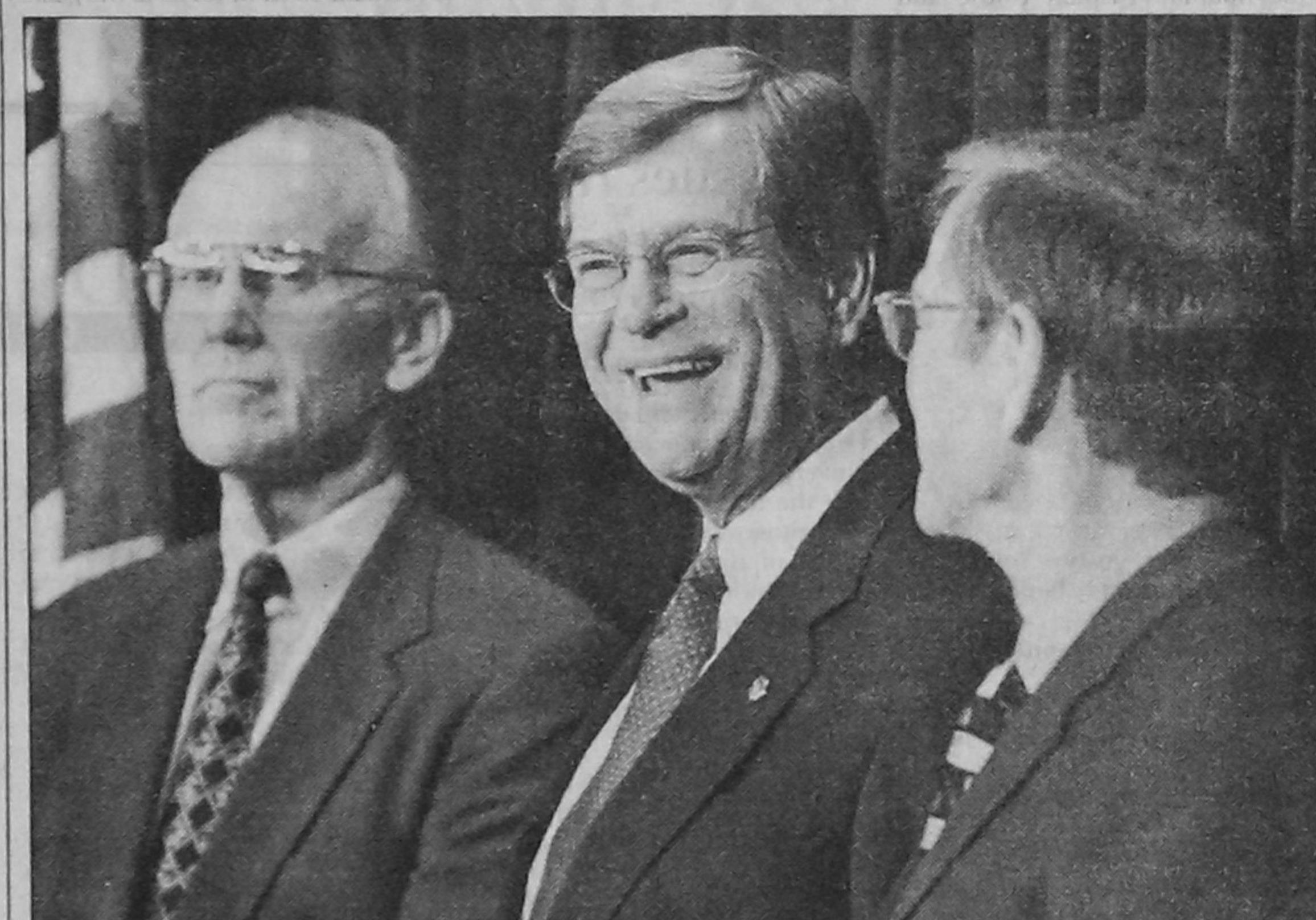


PHOTO: AFP

US Sen. Trent Lott, R-MS, (C), is joined by Senators Larry Craig, R-ID, and Pete Domenici, R-MN, (R) at a press conference to announce passage of the fiscal year 2002 budget in the US Senate Thursday.

## US Senate okays budget plan for \$1.35t tax cuts

REUTERS, Washington

craft a package to match the Senate.

Five Democrats tipped the balance to pass the Republican budget in the Senate that in split 50-50 between the parties. Two Republicans opposed it.

"My recommendation is that we pass this imperfect document," said Sen. John Breaux of Louisiana, who led a group of moderate Democrats in talks with the White House on the compromise. He was joined by Sens. Max Baucus of Montana, Max Cleland of Georgia, and Ben Nelson of Nebraska.

One Democrat, Sen. Zell Miller of Georgia, backed Bush's tax cuts from the start, while Republican Sens. James Jeffords of Vermont and Lincoln Chafee of Rhode Island said the compromise tax cut still was too large.

The Republican-led House of Representatives passed the budget on Wednesday on an almost straight-party line vote.

"It's clear that the economic recovery package that the president has talked about is on the way, tax relief is on the way," White House spokesman Ari Fleischer said.

But passing the bill that actually cuts taxes will be tough, as Democrats blasted Republican proposals as skewed to the rich.

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The presence of a stock market is expected to boost transparency in share trading and to stop artificial price movements, they said.

will benefit the jet set, but leave the rest of America riding on rusty rails," said Sen. Robert Byrd of West Virginia.

Senate Democratic Leader Tom Daschle of South Dakota called the budget "a nuclear bomb for fiscal discipline" because Congress inevitably will break tight spending limits forced by the tax cuts.

Bush Republicans said it was an effort to control spending and return a share of projected surpluses to taxpayers.

"You didn't get everything you want, but I want to compliment you Mr. President because you have made us change direction," said Senate Budget Committee Chairman Pete Domenici from New Mexico. "In the end it's pretty clear we're going to have a significant tax reduction plan in place."

The budget is not binding law, but it protects the \$1.35 trillion tax-cutting legislation that fits under it from filibusters.

The Senate Finance Committee was working on details of the tax-cut bill that will include rate cuts, marriage penalty relief, estate tax repeal and a bigger child tax credit.

This tax cut will savage our nation's real and growing needs. It

will benefit the jet set, but leave the rest of America riding on rusty rails," said Sen. Robert Byrd of West Virginia.

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## Bank of China mulls best method, timing to tap capital markets

AFP, Hong Kong

Bank of China president and chairman Liu Mingkang said Friday the bank is currently considering the best method and timing to tap the capital markets.

In the bank's annual report, Liu said changes in the way the bank operated in Hong Kong would have special implications for its overall development.

"The most important development overseas in the medium term will be in Hong Kong, where we are the second largest banking group."

He said the restructuring of Bank of China's operations in Hong Kong would be completed by the end of the year.

Liu said the bank planned to further improve its risk management by implementing requirements proposed in the new Basel Capital Accord.

"We are determined to reduce the rate of non-performing loans year by year. I believe that the problem of non-performing loans will be solved substantially in the not too distant future."

Liu said the current year was a crucial one in the bank's move to revamp its operations.

## IMF critics call for fresh framework for bailouts

REUTERS, Washington

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