Asia ready to weather economic slowdown

ADB annual meet ends with call for more reforms

REUTERS, *Honolulu*

The Asian Development Bank wrapped up its annual meeting Friday saying the region was now much better prepared to weather economic turbulence but more reform was needed to heal the pain of the 1997 crisis.

The three-day meeting in Hawaii came at a time of mounting concern about a global economic slowdown and the risk of a world recession and drew finance ministers and central bank governors from across the region.

Demonstrations by anti-globalisation protesters passed off peacefully without disrupting the meeting. Hundreds of people marched through Honolulu on the opening day on Wednesday and small protests continued through to Friday.

Inside the convention center tool, the ADB faced criticism from some delegates who said it needed to become more transparent and more accountable.

Many Asian nations, still scarred by the economic crisis that swept the region in 1997, also harbor deep suspicions about globalisation and international financial institutions.

The main policy development to emerge from the meeting came after talks on the sidelines between the 10 countries of the Association of South East Asian Nations (ASEAN) and Japan, China and South Korea.

The so-called "ASEAN+3" group unveiled progress in building a network of currency swap deals designed as a defence mechanism against speculative attacks. Analysts see the scheme as an early step on the road to an Asian Monetary Fund, a prospect that makes many Western nations uneasy.

On Wednesday, Japan announced a $3 billion swap deal with Thailand, a $2 billion agreement with South Korea and a new $1 billion swap facility for Malaysia.

Officials say 10 per cent of the funds can be disbursed to help countries facing a short-term liquidity crunch, but the rest will only be activated in tandem with economic reforms supervised by the International Monetary Fund.

The deal with Malaysia was particularly significant, as the country had been resisting any IMF role in the scheme. Malaysia, which dealt with the 1997 crisis without IMF help, eventually backed down, allowing the plan to move forward.

But analysts say that even if more swap deals are struck to strengthen the swap network, it is unlikely to ever be more than a short-term defence against speculative attacks.

But the plan is significant because some see it eventually leading to wider Asian monetary cooperation. In the wake of the crisis, Japan suggested the creation of an Asian Monetary Fund (AMF) but the idea was rejected by the United States and IMF. Japanese officials said this week they had not given up, however.

"I personally think we should bring the issue toward that direction. But it would be a step-by-step talk for the future with other countries, such as China, involved," said Senior Vice Finance Minister Seiichiro Murakami.

ADB President Tadao Chino said the swap network was a useful step.

"One of the important lessons which we learned from the crisis is the necessity of a certain type of mechanism which can provide a sufficient amount of short-term liquidity in case of emergency," he said.

Chino said that thanks to economic reform, Asian countries were now "much more resilient against external shocks". "The concept of an AMF may not be very urgent at this moment. It could be one of the ideas that could be considered by Asian countries in a medium or longer-term perspective," he added.

Chino said the ADB was improving efficiency and rejected suggestions it lacked transparency.

"We have been working very hard to improve transparency and accountability of the bank's operations," he said.

He also said there was no conflict between the bank's main strategy of poverty reduction and the view of some members, particularly the US, that the focus should be on growth.

"Without economic growth there is no sustainable poverty reduction," Chino said.

At the meeting, developing Asian countries called on the world's major economic powers to revive the global economy and prevent another regional crisis. In particular, countries said they hoped Japan's new prime minister would tackle the problems of Asia's largest economy to help boost regional growth.

PHOTO: AIMS

An 'Investment Management Agreement' was recently executed by Prof Muhammad Yunus, Managing Director, Grameen Bank, and Yawer Sayeed, Managing Director & CEO, AIMS of Bangladesh Limited, on behalf of their respective institutions for the management of Grameen Bank-sponsored 'Grameen Mutual Fund One' by AIMS.

PHOTO: NCCBL

Anwar Ahmed, Managing Director, NCC Bank Ltd, delivers his inaugural speech at the day-long seminar on "Risk Coverage Against Export Financing by Commercial Banks, an approach of NCC Bank Limited towards promotion of Export Trade in Bangladesh" at the Board Room of the bank's Head Office Saturday. Renowned exporters routing their business through the bank, executives and incharges of the Dhaka-based branches also attended the seminar. Also seen in the picture are Md. Nurul Amin, Kazi Md. Shafiqur Rahman, Executive Vice President, and AMM Farhad, Senior Vice President.

US 'strongly opposed' to WB work in Iran

REUTERS, *Washington*

US officials said Friday they are "strongly opposed to any engagement by the World Bank in Iran, and registered their opposition with Group of Seven finance ministers and with the management of the bank.

The executive directors of the World Bank on Thursday approved the Washington-lender's proposal for a two-year interim economic strategy for Iran. The United States voted against the proposal because of the country's record on terrorism and human rights.

"It is US policy to oppose multilateral lending to Iran for both terrorism and human rights reasons," said one Bush administration official. "We also continue to be concerned about the economic policy environment and believe it is premature to resume World Bank lending there.

Meanwhile, a spokesman for the US Treasury said, that while it was pretty clear that a majority on the 24-member board of the World Bank favours the plan : "We don't think it's a rational move right now."

The spokesman added that the United States believes it is important to support "reformist elements," and that it does not believe the current proposal does that.

However, Merrell Tuck, a spokeswoman for the World Bank said that the proposed programme is a cautious one which gives backing to reforms.

"The strategy proposes a cautious stand where the bank will fully monitor progress on governance, structural reforms and economic management," Tuck said.

She stressed that the World Bank board meeting on Thursday was not to approve a loan, only to approve a strategy for the country. However, the strategy would be backed by some $755 million in lending. But Tuck said that the bank does not foresee putting this lending to the board for a vote for at least another year. The lending would require a separate vote.

"Any lending would focus on basic needs and the environment," she said.

Even though it is the single largest shareholder of the global lender, the United States, on its own, cannot actually prevent a loan from going through. But one bank insider said that the board usually tries to move in a consensus style so there is usually an effort to negotiate the differences.

The United States has been under pressure from domestic politicians to oppose the plan for Iran. In a letter to Treasury Secretary Paul O'Neill, 89 members of Congress outlined their objection to the plan.

S'pore doubtful of new trade round this yr

AFP, *Singapore*

Singapore has expressed doubts that a planned new round of World Trade Organisation talks tentatively earmarked for Qatar in November, will get off the ground.

Trade Minister George Yeo said the issue of agriculture remained a stumbling block to successful trade liberalisation negotiations.

Speaking in defence of Singapore's aggressive push for bilateral free trade pacts, Yeo said the city-state remained a supporter of the WTO and a new round of talks, but needed to protect its own interest which lay in free trade.

"Because agriculture is a major political issue in many countries it will not be easy to conclude a new round, even assuming we can get in launched this year or next year," he said in a speech to business leaders late Friday.

"Also the multilateral trading system requires a global consensus which means that we can only progress as fast as the slowest countries.

"For this reason, in addition to supporting the new round, we have also been working hard to negotiate bilateral and regional trade agreements."

Singapore has one deal locked up with New Zealand and is working on others with Japan, the United States, Mexico, Australia and the four-nation European Free Trade Area.

A sharp dispute over export subsidies to farmers was a major factor in the WTO's failure to fix an agenda for a new round of trade talks at a meeting in Seattle, in December 1999.

Japan and Europe have argued there are compelling social and environmental reasons for using government funds to preserve national farming sectors.

But the United States insists any trade barriers, even on sensitive agricultural trade, should be eliminated as quickly as possible to boost the global economy.

Mexico slashes growth target, announces $365m budget cut

Int'l economic slowdown blamed

AFP, *Mexico City*

Blaming the international economic slowdown, the Mexican government Friday again slashed its economic growth target, and announced a 365 million dollar budget cut, leaving the field open for further spending reductions.

Speaking at a news conference to announce the austerity measures, Eduardo Sojo, the president's point man on economic affairs, insisted nonetheless that "there are encouraging signs in the economy."

But the economic forecasts fell well short of previous expectations.

"We forecast economic growth of between 2.5 per cent and three per cent," said Sojo, linking the lower forecast to the international economic situation, which he said was impacting Mexico.

During his electoral campaign last year, President Vicente Fox had forecast annual growth of about seven per cent, a level that was achieved in 2000.

But he later revised the estimate saying gross domestic product should grow by 4.5 per cent this year. Earlier this week the government revised the forecast to three per cent, before further lowering the figure on Friday.

The government has widely blamed the US economic slowdown for the current economic situation in Mexico.

The United States accounts for 90 per cent of Mexican trade, and the slowdown there has been partly responsible for the loss of 96,000 jobs in Mexico between December and March.

But Sojo, who coordinates economic policies between the various ministries, remained upbeat, saying inflation was clearly heading downward. "This reduced pressure has led to a reduction of interest rates," he said, also citing "record international reserves" of 40 billion dollars.

Sojo also announced plans to promote infrastructure construction as a way to boost economic prospects.

But at the same time, Finance Minister Francisco Gil said road construction and maintenance would be the sector most affected by the budget cuts, followed by power supply, agriculture and fisheries.

He confirmed the government would slash its spending by 365 million dollars to make up for a shortfall of that amount in first quarter tax revenue.

He said the government would regularly review the economic situation, leaving the field open for further budget cuts.

Government officials had said earlier they hoped to save a total of three billion dollars this year.

The slowdown has caused deep concern in a country still recovering from the devastating peso crisis of 1994-1995 that left millions without a job or deeply in debt.

Analysts generally welcomed the budget cuts.

NCCBL seminar on export financing risk coverage held

The International Division of National Credit and Commercial Bank Limited held a seminar on 'Risk coverage against export financing by commercial banks' at its head office boardroom on Saturday, says a press release.

Managing Director of NCC Bank, Anwar Ahmed inaugurated the seminar.

The seminar was attended by clients, senior executives, branch managers of the bank and representative of Sadharan Bima Corporation.

In his speech, Ahmed stressed the need for securing export finances extended by various commercial banks by taking up the option of risk coverage available in the country.

Representatives from SBC in this respect referred to the availability of export credit guarantee scheme to cover such risk factors.

Kazi Md. Shafiqur Rahman, EVP, Nurul Amin, EVP, and AMM Farhad, SVP, and other senior executives of the bank also spoke on the occasion.

PHOTO: STANDARD BANK

Yussuf Abdullah Harun, President, FBCCI, inaugurates the 10th branch of Standard Bank Limited at Munshikhola DN Road, Shaympur, Dhaka, recently. Kazi Akramuddin Ahmed, Chairman of the bank and Chairman of Bangladesh Association of Banks (BAB), and Managing Director SS Nizamuddin Ahmed were also present on the occasion. Among others, Mohammad Nurul Islam, Vice Chairman, Mosharraf Hossain, Deputy Managing Director, and Habibullah, incharge of Munshikhola Branch, are also seen in the picture.

Bush to unveil broad energy plan next week

REUTERS, *Washington*

President George W Bush told Americans Friday there is no way to make sky high gasoline prices disappear overnight, stressing broad-based tax relief is the best short-term solution to help consumers and building more refineries as part of a long-term energy plan.

Bush, a former Texas oilman, will unveil a broad energy plan next week that is expected to focus on boosting supplies of oil, natural gas, coal and nuclear energy.

But some Republicans worry that the detailed proposals will give little relief to consumers this summer from soaring gasoline prices and California blackouts. "There's no such thing as immediate supply. This is a situation that's been developing over the years and it's going to take a while to correct," Bush told reporters.

"I want to remind the members of Congress both Republican and Democrat, all of us are concerned about high energy prices. Let's get the tax relief done and do it quickly," Bush said.

White House staff met with lawmakers and aides on Friday and gave broad descriptions about the recommendations to overhaul the nation's energy policies and boost supplies.

The recommendations will include drilling on more federal lands, easing regulations to increase oil refining capacity, and reducing the number of clean-burning gasolines. Other key items will endorse boosting nuclear power use and allowing the government to take private property for electric transmission lines, according to sources who were briefed on the report.

During the 45-minute briefing, Andrew Lundquist, director of the White House energy task force, said the administration will not present legislation to implement the energy plan. Instead, lawmakers will choose what they want to put in separate Republican and Democratic energy bills.

Lundquist gave few details, saying the report "will not set specific goals, but direction" on energy issues, according to several Congressional aides who attended the meeting.

The White House report has eight chapters that include an overview of the economic impact of energy problems.

Commodity: Weekly Roundup

Prices of oil, rubber up while sugar, cotton down

AFP, *London*

Oil prices remained firm as concerns lingered over tightness in the US gasoline market, while the temporary closure of two Nigerian export terminals briefly threatened supply.

By Friday, benchmark Brent North Sea crude for June delivery was selling for 28.35 dollars a barrel from 28.03 dollars the previous week.

In New York, the light sweet crude May contract rose to 28.55 dollars a barrel early Friday from 28.42 dollars the previous week.

Crude and gasoline reserves in the United States have been increasing in recent weeks, but with the US driving season just around the corner, dealers were taking no chances.

Prices ran up on Thursday due to concern over the closure of two export terminals in Nigeria, one of the world's largest oil exporters.

The market was also digesting the latest outlook from the International Energy Agency (IEA) for global oil demand. The agency cut its forecast for demand growth to just over one million barrels per day from 1.33 million previously.

The IEA also estimated that the Organisation of Petroleum Exporting Countries (OPEC) overshot quotas by some 700,000 barrels in April.

The IEA said that output from the 10 OPEC countries excluding Iraq was 24.9 million barrels a day, well above the 24.2 million bpd target set by OPEC at its last meeting in March.

Rubber: Dub. Rubber prices rose this week, as rainy weather in Asian producer countries led to expectations of lower output. But the trend was fragile and better weather could easily reverse sentiment, dealers said.

In Kuala Lumpur, the RSS index moved ahead to 2.37 ringgit per kilo from 2.32 ringgit the previous week.

In London, the May rubber index stood at 50 pence per kilo from 48.25 pence.

But trading petered out towards the weekend as dealers and producers headed to Thailand on Friday for an industry gathering, one dealer said.

Cocoa: Hot choc. Cocoa futures staged a revival but buying interest was purely technical, traders said.

On London's LIFFE financial futures exchange, the price of a ton of cocoa for July delivery rose to 823 pounds from 780 pounds the previous week.

On New York's CSCE market, the July contract climbed to 1,049 dollars from 993 dollars.

"Lack of fundamental news has shifted momentum to the technical side," the Refco brokerage said in a research note.

Traders were also mulling a forecast by the ED and F Man brokerage that the 2001/2002 world cocoa harvest would fall to 2,760 million tonnes from a 1999/2000 crop of 3.027 million.

Coffee: Cold climate. Coffee prices were steady this week with traders still fretting over the potential impact of Brazilian frosts.

On LIFFE, Robusta quality for July delivery was selling for 590 dollars a ton from 587 dollars a week earlier.

On the CSCE, the New York futures market, Arabica prices for July delivery rose to 68.55 cents a pound from 67.40 cents.

"Once again there isn't a whole lot going on in the coffee market. Brazilian weather continues to be a tease but without any significant cold or dryness to provoke reaction," the Refco brokerage said.

The Association of Coffee Producing Countries will meet next week in London to discuss alternatives to faltering export retention plan.

A separate World Coffee Conference will also consider ways of reviving prices.

Sugar: Soft. Sugar prices eased this week amid profit taking after a recent strong market advance.

But traders said the blip was just a temporary reversal in what remains a market underpinned by solid fundamentals.

In New York, a pound of white sugar for August delivery slipped to 9.06 cents from 9.20.

On the London market, July contracts eased to 244.90 dollars a tonne from 245.50 dollars the previous week.

Soya: So-so. Soya prices made strong advances at the start of the week, only to give back much of the gains once US figures showed a heavy drop in exports the previous week.

On the Chicago Board of Trade (CBoT), a bushel of soya for May delivery rose to 4.4750 dollars from 4.4275 dollars the previous week.

A bushel of soyabean meal—used in animal feed—for May delivery moved up to 158.90 dollars a tonne from 158.70 dollars.

Weekly exports topped 183,000 tonnes in the week to May 3, down sharply from the previous week, according to the US agriculture department weekly figures.

Grains: Wet. US wheat prices were undermined by another wet week in producing regions in the eastern US states, which boosted expectations of a strong harvest.

On the Chicago Board of Trade, a bushel of 27.2 kilos of wheat for May delivery fell to 260 cents on Thursday from 263 cents the previous week.

A bushel of 25.4 kilos of maize for May delivery slipped to 191.50 cents from 200.50 cents.

On London's LIFFE market, a tonne of wheat for May delivery was selling for 79.40 pounds from 78.40 pounds the previous week.

The market was also digesting a forecast from the US Department of Agriculture that this winter's wheat crop would be 1.34 billion bushels - 14 per cent less than the previous year.

It also forecast a US wheat crop of 53.38 tonnes for the 2001/02 harvest, from 60.51 the previous season, and a US maize harvest of 243.22 million tonnes from 253.21 million.

Cotton: Slacks. Cotton prices gave up more ground amid expectations of a strong harvest and a weakening of demand in the United States, brokers said.

On the NYCE in New York, the July contract fell to 44.83 cents a pound from 46.21 the previous week.

The Cotton Outlook index of physical cotton prices, the average of the lowest world prices, dipped to 50.75 cents from 51.05.

The US crop for the 2001/2002 harvest will rise by 9.3 per cent from the previous season to 18.8 million bales, according to preliminary figures from the US Department of Agriculture.

Wool: Sweater. A rising Australian dollar dampened demand for wool and kept a lid on prices.

The Eastern index ticked down to 799 cents on Thursday from 805 cents the previous week.

The British Wooltops index was unchanged at 350 pence in the absence of any auctions in Bradford.

Singapore Telecom eyes Pacific Internet

AP, *Singapore*

Singapore Telecommunications is in "advanced stages of talks to acquire Nasdaq-listed Internet service provider Pacific Internet, The Straits Times newspaper reported Saturday.

SingTel already owns Pacific Internet's rival SingNet. The two companies are Singapore's major Internet service providers.

SingTel, which is 78-per cent government-owned and the affluent city-state's largest company, has been losing its former monopoly due to recent government liberalisation of Singapore's telecoms market.

The company is trying to make up for its weakened position at home by aggressively expanding across Asia in a bid to become a major telecoms player in the region.

SingTel is also shopping locally, having earlier expressed interest in bidding for rival Singapore's mobile phone operator M1, the newspaper said.

In its report on the Pacific Internet talks, The Straits Times quoted unidentified sources "close to negotiations."

SingTel spokesman Chia Boon Chong on Saturday declined to comment opportunities or market speculation," he said.

"As and when there are agreements signed or material developments regarding investments in other companies, we will make the announcements," he added.

The newspaper quoted Dulcie Chan, a spokeswoman for Singapore's Infocomm Development Authority as saying that any applications for shareholding changes would be reviewed "to ensure that the change does not unreasonably restrict competition.

Public affairs officers from the authority, which regulates Singapore's communications industries, could not be reached for comment Saturday.

The Straits Times said SingTel is discussing the Internet deal with SembCorp Industries, which owns 42 per cent of Pacific Internet, and that a general offer would be made for all Pacific Internet shares if an agreement is reached.

Singapore International Media's SIM Ventures owns 14 per cent of Pacific Internet.

SembCorp and SIM are controlled by Temasek Holdings, Singapore's government-owned holding company.