# IMF sees global slowdown short-lived

REUTERS, Hong Kong

Managing Director Horst Koehler said Thursday the global slowdown in growth should be shortlived but the IMF will work to develop better systems for early warning of potential crises.

In a speech prepared for delivery to an Institute for International Finance (IIF) meeting in Hong Kong. Koehler said the current slowdown in world economic trigger a reversal of the economic activity has intensified pressures on vulnerable countries and weak nancial crisis.

"But still our best guess is that China and Korea. the slowdown in global growth will be relatively short-lived with a recovery beginning later this year and gathering strength in 2002," Koehler said. "What is important is vigorous policy action to ensure this outcome materialises."

In Asia, he said there are concerns that the weakening of exports and capital inflows may gains made since the 1997-98 fi-

Earlier on Thursday the IIF World stock market declines forecast net private capital flows to in some cases. gentina have heightened con- in 2001 from US\$58.6 billion last

sciousness of downside risks, he year, largely due to lower portfolio equity investment in expected in

"I believe that Asia will weather the storm. In most Asian countries, the risk of a new crisis has been greatly reduced through stronger macroeconomic fundamentals and the adoption of more flexible exchange rate policies," he

"Unfortunately, the record is mixed when it comes to financial sector reform, improving governance and strengthening the investment climate and these remain the sources of vulnerability

Koehler said recent initiatives by the IMF and World Bank to

the international financial system field and from the markets. more resilient, giving him greater confidence it will withstand the

But he said highest on the IMF , agenda in the coming months will be further work on early warnings of potential crises.

"current period of testing."

IMF would intend to become a rating agency. What is crucial is that we sharpen our ability to bring about early and preemptive policy action in member coun-

help member countries detect for this, the IMF and its memweaknesses in their banking sys- ber countries need to combine tem and help private creditors quantitative indicators of venerassess risk have helped to make ability with judgements from the

He said the group's new International Capital Markets Department will play a major role in this debate of a resolution on "smart" effort, serving as a centre of expertise, information and analysis on capital market issues and a key "By this I do not mean that the point of contact for private and of the oil-for-food programme official financial institutions.

Through it, he would like the identify emerging problems and IMF and the private sector to review experiences with financial bubbles and volatility in international capital flows to.

### Iraq rejects 1-month extension of UN oil programme

AFP, Baghdad

Iraq on Friday rejected a onemonth extension of the UN oil-forfood programme as proposed by the Security Council to allow for sanctions.

"I inform you of Iraq's rejection of a planned one-month extension based on certain conceptions of an Anglo-American project called smart sanctions," Deputy Prime Minister Tareq Aziz said.

The official news agency INA said Aziz, who is also acting foreign minister, met the Chinese

and Russian ambassadors in Baghdad as well the ambassador of current Security Council member Tunisia to inform them of sador in New York, Mohammad Iraq's stand.

"I clarify that the adoption of this project (on smart sanctions) will harm not only Iraq but all the partners of Baghdad among its friends and brothers," said Aziz, referring to Iraqi threats to cut oil and trade with its neighbours. '

"Iraq is determined not to deal with this decision if it is adopted, and considers that this decision is still-born."

Aziz did not specify the timing of any retaliatory halt in Iraqi

oil exports if smart sanctions are

On Thursday, Irag's ambasal-Douri, told reporters that Baghdad would not sign any new export contracts if the Security Council accepted the "manoeuvre" of a limited oil-for-food extension.

But Iraq, which has outstanding commitments to ship almost 300 million barrels of crude, equivalent to about 135 days of exports at the current rate, will "honour all existing contracts", Douri said.

The fresh warning from Aziz came as the 15-member Security Council, needing more time to debate smart sanctions, was to meet Friday to extend the oil-forfood programme until July 3.

The UN programme, launched in December 1996, normally runs in six-monthly phases, the latest of which runs out on

A rollover text expresses the Security Council's "intention to consider new arrangements" for the 11-year-old trade embargo on Iraq and "to adopt and implement" them on July 4.

Britain, backed by the United States, has proposed a draft resolution that would abolish the embargo on civilian trade with Iraq, while tightening a weapons ban and controls on smuggling outside the oil-for-food deal.

Iraq, which has been under embargo since its 1990 invasion of Kuwait, rejects the proposals, threatening to take 2.1 million barrels per day off the world oil market.

The oil-for-food programme allows Iraq to export crude under UN supervision to finance humanitarian imports and other essential goods for its 22-million population.

The United States and Britain had hoped to win Security Council endorsement for the new sanctions regime before the latest

phase runs out. But Russia's ambassador to the United Nations, Sergei Lavrov, said there were still "many unanswered questions" about the reforms, notably over the military items and dual-use goods and technologies that would be pro-

Lavrov said a 23-page draft list circulated to council members last week included some telecommunications and fibre-optic equipment, and said "no economic development project could be implemented" without such

Russia is Iraq's closest ally on the council and, like the four other permanent members, has a veto over the world body's decisions.

#### Mazda Motor to develop diesel engine for Europe

Japanese automaker Mazda Motor Corp plans to develop a fuelefficient diesel engine for midsized sedans and other vehicles exported to Europe by late 2002, a news report said Friday.

It is an attempt by the financially troubled Japanese car marker to revive its loss-making operations in the region, said the Nihon Keizai Shimbun newspaper. "The company will invest several billion yen to set up a production line at its flagship plant in Hiroshima Prefecture to produce 100,000 diesel engines a year," the

business daily said. The company would use the engine in Capella and Familia sedans as well as in the MPV and Premacy minivans, the report said.

"The fuel efficiency of the 2000cc engine is expected to be more than 15 kilometers per liter, among the best in its engine class," the report said.

Mazda, which is 33.3-per cent owned by US auto giant Ford Motor Co., said last week the company was having to tough time amid the global economic slowdown, sluggish market demand and intensifying competi-

The company said last week it plunged to a record net loss of 155.2 billion ven (1.29 billion dollars) in the year to March due to one-off retirement charges and

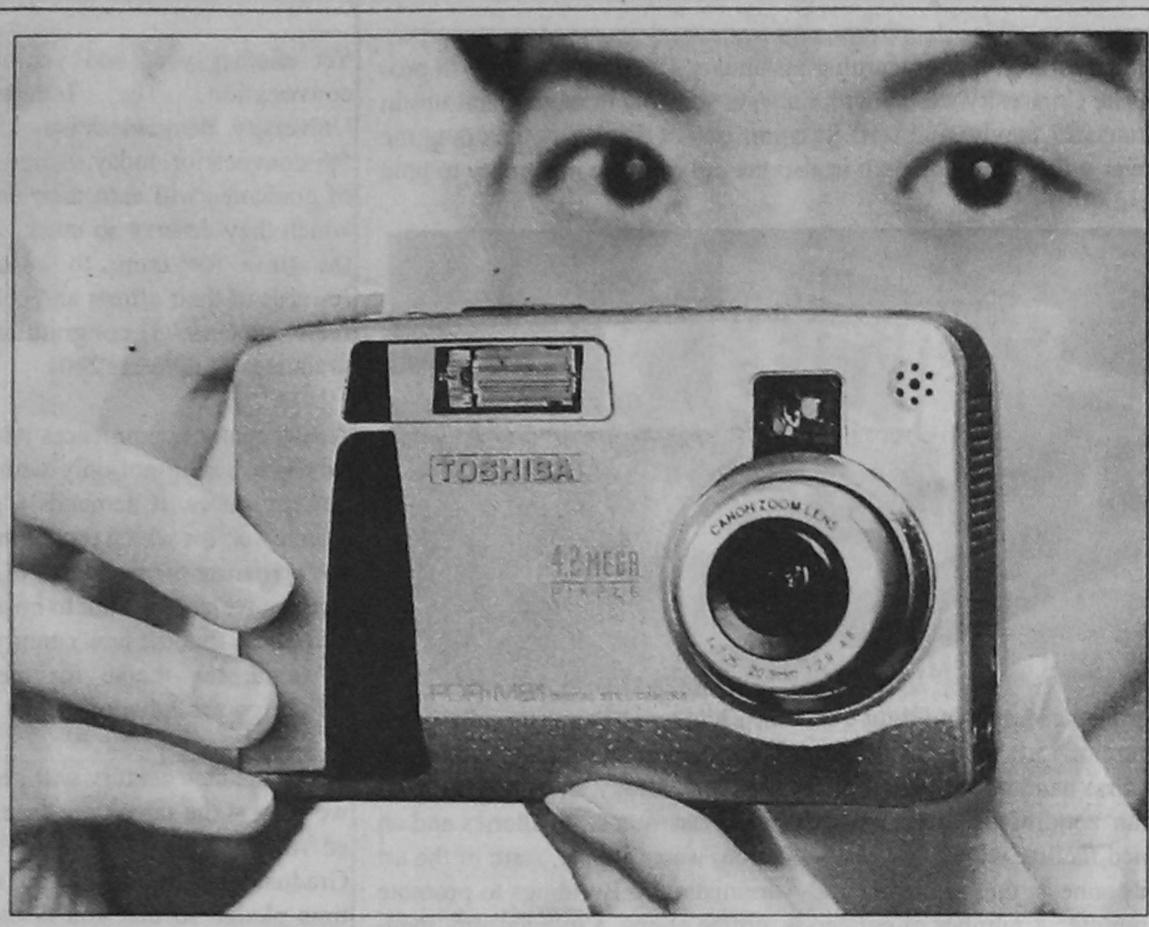
foreign exchange losses. Mazda's European operations saw a loss of about one billion yen during the year to March. Nihon

Keizai said. "By exporting vehicles powered by the new engine, the company

hopes to boost annual sales in the market to 300,000 units by 2004. up 50 per cent from the current figure," the newspaper said. Relatively low carbon dioxide

emission of diesel engines has resulted in surging demand in

As a result, other Japanese automakers, including industry leader Toyota Motor Corp., have started to develop diesel engines for the European market, the re-



Japan's electronics giant Toshiba unveils the world's first 4 mega pixels compact digital camera "Allegretto M81" at the company's headquarters in Tokyo yesterday. The Allegretto M81 features 1/1.8-inch 4.2 million-pixel CCD on its image sensor and 7.25-20.3mm Canon made zoom lens on its compact body. Toshiba will put it on the market next month with estimated price of 70,000 yen (590 USD).

### Australia vows to pursue Asia-Pacific free trade

AFP, Canberra

Australia declared Friday that it agreed in 1994 to pursue the goal June 2-5. would continue to press for free of free trade in the region. trade throughout the Asia-Pacific

Trade minister Mark Vaile said moves towards free trade had already lifted 150 million people in the region out of poverty and Australia's ultimate goal was to see poverty eliminated entirely from

"We need to maintain our focus," Vaile told reporters on the eve of a visit to Japan and China.

"We do not want to see no apology. economies moving back on their

Members of the Asia Pacific to the wheel" on the issue. . Economic Co-operation group

Developed countries in the group, which now has 21 members, agreed to achieve free trade in the region by 2010.

Others were to catch up by

But the subsequent Asian economic crisis and other developments slowed progress towards these targets.

Vaile admitted that Australia had been "gung ho" in its campaign for free trade, but he offered

Vaile will visit Tokyo from

He will also attend an APEC trade ministers' meeting in Shanghai on June 6 and 7.

Vaile said Australia saw the Shanghai meeting as an opportunity to build support for a new

round of world trade talks. He said Australia hoped to see that round launched after a World Trade Organisation meeting

in Doha, Qatar, in November.

Vaile said the credibility of the WTO would depend on success in that venture, after the fail-Instead, he declared that ure of similar moves at its last Australia would keep its "shoulder meeting in Seattle in 1999.

## Bridgestone seeks US safety probe into Ford Explorer

Tyre maker Bridgestone/Firestone on Thursday called for a US government investigation into the safety of certain models of the

headquarters in Tokyo yesterday.

latest salvo in a bitter battle between the two erstwhile partners.

executive John Lampe asked the National Highway Transportation

Ford Explorer sport utility, the Safety Administration (NHTSA) to Bridgestone/Firestone chief to be "defectively designed," putconducted by Ohio State Univer-



Japan's tyre maker Bridgestone Predident Shigeo Watanabe speaks at a press conference as Bridgestone/Firestone called for a US government investigation into the safety of Ford Explorer's SUV at the company's

conduct the probe, citing a study that found many of the Explorers ting drivers and passengers at risk. The company said the study,

sity mechanical engineering professor Dennis Guenther, showed that drivers can all too easily lose control of the Explorers in question following a "clearly foreseeable event," such as a tread separation on one of the tires. The NHTSA last year identi-

fied 174 fatalities linked mounted on Ford Explorers that | lion dollars. tended to roll over when the tires came apart at high speeds. Ford insisted the accidents

Firestone, the US unit of Japan's | riod of last year. Bridgestone/Firestone, blamed the vehicle.

week offered to replace all 13 million Firestone Wilderness AT tires on its vehicles and announced it was severing its near century-old business times to Firestone. The replacements were in ad-

dition to 6.5 million tires recalled by Firestone last August in response to a string of fatal accidents documented by the NHTSA. "All tires can and some do fail." said Lampe.

That's why vehicles carry a spare tire. When tires fail, either | for information technology prodfrom a tread separation or a road hazard or other causes, drivers should be able to pull over, not roll over. The Explorer does not appear to give the driver that margin gish demand in US and European of safety to make it to the side of the road and change the tire." slid 32 per cent.

#### Axa- Deutsche Bank alliance talks break down

French insurer Axa said on Thursday talks with Deutsche Bank AG over an alliance deal to forge a new bancassurance giant have been suspended, but a German source said the discussions were

Axa, the leader in the French insurance market, had hoped to expand its presence in the strategically important German market by linking up with that country's biggest lender, Deutsche Bank.

"The discussions are suspended," Axa spokeswoman Emmanuelle Isnard said. But a German banking source

told AFP that the talks had failed. "There is nothing to expect" from the discussions between Deutsche Bank and Axa, the source said, confirming a report in the Financial Times which said the talks had broken down.

Axa's chief executive Henri de Castries played down the significance of the talks, the newspaper

"In a group like Axa you always have many discussions going on in many parts of the world with many different partners and you never like it when one of these discussions is highlighted when nothing significant has happened." he said. Since Germany recently

adopted radical reforms to introduce private pensions, financial institutions have scrambled to build alliances to tap this new lucrative market for personal finance products. In a domestic mega-merger,

insurance giant Allianz is buying Germany's third-largest bank Dresdner Bank, in a move that creates a new bancassurance powerhouse. The stakes are high for Axa,

which needs to develop sales capacity in Germany, where it is relatively weak given the group's overall size, analysts said.

Deutsche Bank declined to comment Thursday.

#### ROK May exports down 6.9 per cent

AFP, Seoul

The rate of decline in South Korea's exports slowed in May to 6.9 per cent as some major sectors picked up and the fall in hi-tech shipments slowed, the government said Friday.

Exports have fallen for three consecutive months but the decrease in exports in May to 13.63 billion dollars was milder compared with the 9.9 per cent slump in April compared with a year

Imports in May shrank 13 per cent to 11.56 billion dollars, compared with a 16.1 per cent fall to 11.196 billion dollars in April, the Commerce, Industry and Energy Ministry said in a preliminary report.

Consequently, the May trade account posted a 2.08 billion dollar surplus, the year's high, up from 988 million dollars a month

Exports for the five months to May fell 2.2 per cent compared with the same period a year earlier to to 65.93 billion dollars. Imports Firestone tires, most of them dropped 7.1 per cent to 60.78 bil-The overall trade surplus for

the first five months to May stood at 5.15 billion dollars, up from 1.9 were' a "tire problem" while billion dollars from the same pe-The comparatively modest

decline in exports in May came as Citing safety fears, Ford last the shipments of ships, mobile handsets, telecom cables and automobiles improved, while the exports of semiconductors and computers weakened at a slower A combination of sluggish

> plant investment, the appreciation of the dollar against the won and softer raw material prices contributed to lower imports, it said. "Exports will likely rebound

of the US economy and demand ucts," the ministry said in a statediscussed. Semiconductor exports in are going back and forth with world economic growth will affect

taries-general of Japan's ruling coalition parties - were in Washington to meet top-level US offi-"The administration of Japanese Prime Minister Junichiro Koizumi has said that one of its

Komeito Party - the three secre-

Lithuanian model Jurgita Jurkute wears a 62-karat diamond tiara priced

40 million yen (335,000 USD) for the promotion of wedding jewelry at the

famous New York jeweler Harry Winston's Tokyo shop yesterday. The ti-

ara will be offered to be loaned to seven couples to purchase Harry

Japan must get rid of

bad loans: Greenspan

Winston's engagement rings for their wedding ceremony.

REUTERS, Washington

Japan must get rid of the bad loans

burdening its financial sector, and

this is necessary for Japan's easy

monetary policy to succeed, Fed-

eral Reserve Chairman Alan

Greenspan was quoted as telling

top Japanese politicians Thursday.

pressed his view that disposing of

(Japan's) bad loans was vital for its

economy to recover," Taku Yama-

saki, secretary-general of Japan's

Liberal Democratic Party, told

reporters after a meeting with the

He also said Japan's monetary

In March, Japan's central bank

adopted a policy of trying to keep

short-term money market interest

rates effectively at zero by target-

ing the volume of current account

deposits parked at the Bank of

easing can succeed only with the

disposal of the bad loans," Yama-

US central bank chief.

saki said.

"Chairman Greenspan ex-

top priorities is to help the nation's banks resolve the issue of huge bad loans. The bad loan burden is a legacy of Japan's asset bubble, which burst in the early 1990s and pitched the economy into a quagmire from which its has not yet emerged.

At the meeting on Thursday, Greenspan also stressed the importance of Japan revitalising its moribund economy.

"He (Greenspan) said that since Japan is the world's second biggest economy, its course would have a large impact on the economies of the US and the rest of the world. And so, Chairman Greenspan expressed a strong desire that Japan succeed in reviving its economy," Yamasaki

### Bush admn having quiet' talks with OPEC on oil prices

REUTERS, Washington

The Bush administration, blasted by Democratic lawmakers for not getting tough with OPEC, said yesterday it wants to see lower crude oil prices and is having "quiet, diplomatic conversations" with cartel members.

ers on Wednesday urged Bush, a omer Texas oilman, to pressure

an increase in OPEC production would help drive down crude oil

OPEC was scheduled to meet next week in Vienna, where ministers were expected to put off any decision on increasing crude oil supplies.

with OPEC members, but offered few details about what was being

markets, while computer exports

OPEC allies to remind them that we are an interdependent economy and that we all have an interest to make certain that the prices don't spike up." he said.

President George W. Bush wants oil prices to "come down," Fleischer added without further specifics. US crude oil futures for July

delivery ended trading on Thurs-

day at \$28.37 per barrel, down 18 cents. Crude oil futures earlier in the day dove by as much as \$1 a barrel on an increase in US gasoline stocks, but rebounded on nervousness over whether Iraq might curb oil exports in response to UN negotiations of a new oilfor-food agreement.

The US Energy Information Administration has forecast the average national price for regular unleaded gasoline could climb to \$1.75 a gallon this summer. Belowaverage gasoline supplies, strong consumer demand and costly crude oil have been blamed for the rise in pump prices.

Oil industry analysts generally expect OPEC to maintain its tight

# Yamasaki, Takeshi Noda of the New Conservative Party, and Totsuzo Fuyushiba of the New said.

US House democratic lawmak-

Organization of Petroleum porting Countries and other oilproducing nations to increase their crude oil output by 3.5 million barrels per day. The Democrats contend that

prices and ultimately cut retail gasoline costs that soared to a record high earlier this month.

The Bush administration said in the second half with the revival | Wednesday it held ongoing talks

> House spokesman, told reporters. conversations going on with our cent.

grip on oil production until it has a | Furope, the newspaper said. "There are conversations that clearer sense of how much slowing May plunged 41 per cent on slug- OPEC," Ari Fleischer, White oil demand. Earlier this year, the cartel cut crude oil output by 2.5 "There are quiet, diplomatic million barrels per day or 9 per

International Monetary Fund

financial institutions. and problems in Turkey and Ar- fall 19 per cent to US\$47.4 billion

### Indian lenders to Enron for talks on row, not litigation

AFP, Bombay

Indian lenders to a troubled 2.9 billion dollar power project promoted by US-based Enron Power Corp. on Friday advised talks instead of legal battles to sort out disputes.

"We want both sides to return to the negotiating table and begin serious talks. Legal battles will have to be kept in abevance if any progress is to be made," R.S. Agarwal, executive director of the state-owned Industrial Development Bank of India (IDBI), told

Agarwal represents a group of Indian lenders whose exposure to the project totals 66 billion rupees

(1.4 billion dollars).

Enron's Indian subsidiary Dabhol Power Co (DPC) is putting up a 2.184 megawatt power station in India's industrial heartland Maharashtra state, at the port town of Dabhol, which is some 200 kilometres (124 miles) south of the state capital Bombay.

in London against penalties slapped on it by MSEB, while the state electricity board has filed a case against DPC before the state energy regulator saying the power purchase agreement is voidable.

DPC has gone into arbitration

The regulator has stayed all arbitration proceedings till June The power station stopped generating electricity on Wednesday after its exclusive client, the state-owned Maharashtra State Electricity Board (MSEB) refused

to buy any more power in an es-

calation of a dispute over tariffs. Aussie exports to SE Asia up

34 per cent

AFP, Sydney

ties in the region.

Australian exports to South-East Asia jumped by 34 percent to a record 15.1 billion dollars (7.92 billion US) last year despite political uncertainty in some countries.

officials said Monday. The government's export agency Austrade said record export levels and forecast economic growth next year meant that Australian businesses were well placed to capture new opportuni-

economy would grow at 4.7 percent in 2002 -- ahead of the global economy which expects just 2.9 per cent growth. Austrade's Singapore-based executive general manager for South East Asia, Mike Moignard. said that exports to South-East

Unit has forecast South-East Asia's

The Economist Intelligence

cent of Australia's total exports in any one year. To take advantage of the record level of growth. Austrade had nine representatives from South-East Asia in Australia over the next three weeks to brief Australian

businesses on export opportuni-

Asia accounted for about 12 per

#### Austria, S Korea sign pact to stop double taxation

AFP, Seoul

Austrian Foreign Minister Benita Ferrero-Waldner signed a double taxation prevention pact with her South Korean counterpart Han Seung-Soo during their talks on Monday, officials said.

col of a 1985 agreement, will help expand investment and trade between the two countries, they said. Ferrero-Waldner, who arrived Sunday for a three-day visit, also discussed ways to promote inter-

Korean peace with Han after

meeting South Korea's Minister of

State for Trade Hwang Doo-Yun.

The accord, a revised proto-

Austria, which has diplomatic ties with both Koreas, has supported the South's new policy of reconciliation with the communist North.

