

Global powerhouses mount effort to thwart recession

AFP, Washington

Leading industrialised nations were Wednesday nervously looking for ways to stave off a global recession as the after-effects of last week's attacks on New York and the Pentagon tore into the US economy. Rate cuts and major cash injections by the US and European central banks have prevented financial catastrophe, but day by day the wider consequences of the attacks are eating away jobs, consumer confidence and the viability of many firms.

Wall Street, home to the world's biggest stock market, reeled when it finally re-opened for business Monday after its four-day shutdown, registering its worst-ever points drop. Tuesday, it dipped further into the red.

US airlines have announced they were shedding more than 25,000 jobs with more to follow, while Boeing, the giant US aircraft maker, said Tuesday it was axing up to 30,000 workers. A government aid package of up to 24 billion dollars was pending to stave off bankrupt-

cies for some -- but maybe not all -- players.

Stock markets in Asia and Europe mostly traded down Wednesday as they waited to take their direction from New York when it opened. The only major bourses bucking the trend were Tokyo and Hong Kong.

Against this backdrop, the Group of Seven -- Britain, Canada, France, Germany, Italy, Japan and the United States -- have mobilised their financial resources to steady the market and reassure investors.

Analysts remained confident that the US market, taking advantage of stimulus measures approved by governments from London to Tokyo, would return to stability and ultimately recover.

The Bank of England on Tuesday cut its benchmark interest rate by a quarter point to 4.75 per cent, while the Bank of Japan sliced its official discount rate -- the rate it lends funds to private banks -- to an ultra-low 0.1 per cent from 0.25 per cent.

The US central bank, the Federal Reserve, had already on Monday slashed its benchmark rate by half a per centage point, quickly followed

by the European Central Bank and the central banks of Canada, Switzerland and Sweden.

"I think eventually we will, of course, recover," said Gary Thayer, chief economist at brokerage firm AG Edwards when asked about US stock market prospects.

"We have got some very stimulative monetary policy with aggressive rate cuts and now very aggressive stimulative fiscal policy with the government increasing spending for national security," he added.

"We need to see a little bit more confidence in these policies and that may take a little time, a month or more."

In Washington, the government has promised to put together a multi-billion dollar rescue package for the struggling airline industry, which has suffered a drastic cut in revenue as anxious travelers choose other means of transport.

Although economies everywhere were in decline before the fateful events of September 11, the effects of seeing hijacked airliners smashing into the World Trade Center and the Pentagon pushed investment and activity into a nose-

dive.

The big fear in the United States was that the attacks will erode consumer confidence, which accounts for two-thirds of US economic activity.

But experts and policymakers predicted that the economy would benefit from legislation unleashing 40 billion dollars for reconstruction and to fight terrorism.

US President George W. Bush has also promised to spend more on the economy if needed.

The Federal Reserve and other central bank actions had managed to limit the economic shock of the September 11 attacks, economists said, and could also galvanize activity in coming months.

In the past week, the Fed has injected nearly 190 billion dollars into the financial system through market operations.

Another 90 billion dollars were made available to overseas banks through swap agreements with authorities including notably the European Central Bank (ECB).

Rate cuts unlikely to prevent slump

REUTERS, Frankfurt

Policy makers are pulling out the stops to rebuild confidence after last week's attacks on US cities, but coordinated rate cuts look unlikely to prevent a recession this year and prospects for 2002 are uncertain.

The suicide aircraft attacks on landmarks in New York and Washington risk seriously damaging US consumer confidence, removing the last prop keeping an already fragile US economy above water.

The crisis comes at a particularly difficult time for the world economy with Japan already on the verge of another recession, the fourth this decade, and with Europe already facing slowdown.

Economists say the dent to consumer confidence could make the crisis more damaging than other 'shocks' to the world economy in recent years, when there tended to be a short-term dip in activity with no lasting mark.

"Confidence is the key and last Tuesday's events have brought the risk of recession much closer... If the US goes into recession there is a very good chance that the rest of the world will follow," said economist Erik Britton at Oxford Economic Forecasting in Britain.

CURRENCY



PHOTO: BKB

A day-long conference of Bangladesh Krishi Bank general managers was held at the bank's head office on Monday. Murshid Kuli Khan, Managing Director of the Bank, presided the conference. Deputy Managing Director Nurul Islam Khan, among others, were present.

China's WTO entry mounts pressure on Asian economies

AFP, Singapore

As the global community welcomes China's entry into the World Trade Organisation (WTO), regional policymakers are nervously assessing how to cope with the Asian giant's irreversible economic ascendancy.

China's WTO membership, now just a formality, is expected to escalate pressure on Asian countries to strengthen their competitiveness against the might of the Chinese industrial engine, regional officials and analysts said.

"Just as Japan was the 'world's workshop' after the Second World War, China is becoming the 'factory

of the world' in the 21st century," Singapore's Deputy Prime Minister Lee Hsien Loong told a business conference Wednesday.

"China's entry into the WTO will hasten its integration into the world economy, increasing the pressure both on other countries and also on China's own long-protected and inefficient state-owned enterprises," he added.

In particular, the 10-member Association of Southeast Asian Nations (ASEAN), already reeling from a global downturn, faces the arduous task of working together more closely than ever before, said Bob Broadfoot, managing director of the Political and Economic Risk

Consultancy (PERC).

"ASEAN needs to cooperate more regionally to lower tariffs and create a more unified market if it is to be seen as a credible alternative to the 1.2 billion (people) market of China," Hong Kong-based Broadfoot told AFP.

ASEAN, home to 500 million people, has come under fierce criticism, particularly for not doing enough in the aftermath of the 1997-98 regional crisis to closer integrate their economies.

ASEAN's members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

ROK makes biggest ever rate cut

AFP, Seoul

South Korea's central bank made its biggest ever interest rate cut Wednesday in a second attempt to jolt the economy into life after a large stock market fund injection.

Joining global moves to fight an economic slowdown, the Bank of Korea (BoK) held an emergency meeting of its Monetary Policy Committee early to chop half a per centage point off the overnight call rate to 4.0 per cent.

"We have found it necessary to take action expeditiously to bring stability to the market at a time when there is a possibility of the economic slump becoming protracted," BoK governor Chun Chul-Hwan said.

New Zealand cuts rates

AFP, Wellington

New Zealand's central Reserve Bank said Wednesday it has cut interest rates by half a percentage point to 5.25 per cent due to the US crisis.

This was the first time the bank has changed rates outside the official review period since the Official Cash Rate (OCR) system for interest rates was introduced in March 1999.

The bank was due to review rates on October 3.

"We are making this unscheduled interest rate cut primarily because of recent tragic events in the United States," Reserve Bank governor Don Brash said in a statement.

WTO announces deal on Taiwan accession

AFP, Geneva

Taiwan and its trading partners reached a formal deal on the island's accession to the World Trade Organisation (WTO), the WTO announced on Tuesday.

According to a 1992 agreement Taiwan, regarded as a runaway province by China and known as "Chinese Taipei" in the WTO, could finalize a deal to join the WTO only after China's successful formal agreement on accession.

China and its major trading partners reached a formal agreement on WTO membership Monday.

Welcoming Taiwan's deal, WTO director-general Mike Moore said: "With Chinese Taipei's membership, the WTO is taking yet another step towards achieving universal membership."

The WTO said the multilateral

working group on Taiwan formally agreed to adopt the 1,200-page document detailing the technical conditions of the Asian island's membership after meeting at WTO headquarters in Geneva.

Ministers from the organisation's 142 members are expected to allow Taiwan to join the WTO at a ministerial conference in Doha in November shortly after they approve China's membership, the WTO indicated.

A WTO statement said Taiwan offered a valuable market, once the island emerges from the transitional stages of the deal and lifts trade barriers fully after several years.

"Forecasts predict a market for imports equivalent to roughly one billion dollars could be created once Chinese Taipei's concessions are fully implemented," the statement said.

Wall Street struggles in vain to sustain rebound

AFP, New York

US investors struggled to sustain a rally in share prices Tuesday but eventually ran out of steam, dashing hopes for a market rebound after a huge sell-off sparked by last week's terror strikes.

The Dow Jones Industrial Average, which on Monday suffered a staggering fall of nearly 685 points, was at one time 100 points in positive territory, but turned weaker in mid-afternoon trading and was down 17.30 points, 0.19 per cent, to 8,903.40 at close of trade.

Monday marked the resumption of activity on the New York Stock Exchange after a four-day shutdown caused by last Tuesday's horrific terrorist attacks on the nearby World Trade Centre.

The electronic Nasdaq exchange also lost ground Tuesday, shedding 24.47 points, 1.55 per cent, to reach 1,555.08.

Market analysts, taking heart from the early rally, nonetheless remained confident that the market

was on course for a return to stability and ultimately recovery.

"Today is a day of assessment," said Gary Thayer, chief economist at brokers AG Edwards.

"People are just trying to see how the economic environment is likely to unfold and what policies will be implemented."

After Monday's spectacular plunge, "we could stay weak for while," Thayer said.

"But I don't think we're headed for further significant weakness ... After yesterday's initial decline, (the market) is due for a period of stabilization."

"We have got some very stimulative monetary policy with aggressive rate cuts and now very aggressive stimulative fiscal policy with the government increasing spending for national security."

The US Congress has passed legislation unleashing 40 billion dollars for reconstruction and US President George W. Bush has promised to spend more on the economy if needed.

Asia's tourism industry in tatters

AFP, Bangkok

Holiday and business travellers are cancelling trips to Asia in droves after the attacks on the US, spelling disaster for the region's tourism industry and governments who rely on revenue from the sector.

"We are getting cancellations all over the place -- Hong Kong, Kuala Lumpur, Taipei, Yangon, Singapore, Fiji, the Philippines -- everyone is losing their shirts," said Agnes Pacis from the Shangri-La Hotel in Bangkok.

"Everyone is likening it to the Gulf War incident when occupancy went from 60 per cent to 20 per cent. We're not there yet but that's the worst picture that everyone is expecting," the marketing director told AFP.

The drop-off is sending shivers down the spines of governments who counted on tourism as a vital source of foreign exchange while their export industries were being undercut by slowdowns in the United States and Japan.

Some tourism authorities are putting a brave face on the crisis, saying their destinations remain safe and that they are confident

travellers will return once airline services are normalised.

But others admit the terrifying assaults carried out by four hijacked passenger jets have brought business and conference travel to a standstill, and that tourists are now too afraid to leave their home countries.

The World Tourism Organization (WTO) said Tuesday the disaster had struck "a terrible blow" to the industry, with travellers worldwide cancelling or postponing trips in large numbers.

Increased security precautions and higher oil prices would be additional burdens on the sector, said the Madrid-based organisation.

Amid threats of a "holy war" over demands for Afghanistan's leaders to hand over terrorist suspect Osama bin Laden, South Asia's tourism industry appears to be bearing the brunt of the damage.

"The impact is already being felt," said Subhash Goya, president of the Confederation of Tourism Professionals of India, warning the industry stood to lose 400-500 million rupees (8.5 to 10.6 million dollars).