

IMF sees grim global growth

REUTERS, Washington

The global economy was already on the brink of recession before the Sept. 11 attacks on the United States and now faces an even worse prognosis, a new International Monetary Fund report revealed Wednesday.

The IMF's World Economic Outlook, which takes the economic pulse of the world twice a year, forecast 2001 growth of 2.6 per cent the weakest since 1993. Economists view growth of 2.5 per cent as a level indicative of a global recession.

This new forecast factors out the attacks which were too recent to be fully analysed, but was already sharply lower than an April estimate of 3.2 per cent and well below the 4.7 per cent global expansion the world enjoyed last year.

The outlook reflected a delayed US recovery, a sharp European downturn and Japan on the brink of recession.

"Clearly, recent events will have an impact on activity in the short term, and add to the already significant downside risks both in the United States and elsewhere," the report said of the attacks in which hijacked jets destroyed New York's World Trade Center and hit the Pentagon near Washington.

The attacks left almost 7,000

dead or missing and dealt a bruising economic blow, causing the worst drop in US stocks since the Great Depression and rattling the consumer confidence which had kept the world's richest economy afloat.

Since Sept. 11, most Wall Street economists have downgraded their global forecasts to growth of less than 2.5 per cent.

Stripping out the attacks, the fund said growth will stay just above recession levels at 2.6 per cent this year and grow 3.5 per cent in 2002. But the IMF's new chief economist, Kenneth Rogoff, said those forecasts were overshadowed by events.

Rogoff said thanks to "appropriate" monetary policy actions from central banks since the attacks, the effect on 2001 growth forecasts should be "moderate," meaning that global growth this year will likely be only slightly lower than the projection.

But he said the IMF's 2002 forecast is now "likely to be rather lower" due to the attacks. Nonetheless, there was "still a reasonable prospect that the recovery will begin in the first half of next year," he added, cautioning policymakers against "frantic" actions that could prove counterproductive.

Asked if the United States was in a recession, Rogoff initially said: "

think it's a done deal," adding "The conventional recession of having two quarters of negative growth seems to be a significant likelihood."

But as his first IMF news briefing ended, the former Harvard economist retracted his comments -- which contradicted those made in recent days from top US policymakers.

"I have to withdraw my remark 'done deal' simply because we know that growth is going to be lower for the United States, but we simply have no idea of exactly how much lower," he said, after apologizing for being more used to "lecturing in my Harvard classroom than giving

conferences of this sort."

On the outlook for US interest rates, Rogoff said the Federal Reserve had, "still some room to maneuver if events take a marked turn for the worse." He warned US policymakers mulling further fiscal stimulus that such policy was, "a very blunt instrument for trying to deal with a recession."

But if Rogoff tempered his comments on a possible US recession, others did not. Standard & Poor's, a leading rating agency, said outright that the United States was in recession.

Nepal tourism faces slump after attacks

REUTERS, Kathmandu

Nepal's tourism industry, a mainstay of the Himalayan kingdom's impoverished economy, has been hit hard by the deadly attacks on the United States two weeks ago, industry officials said Wednesday.

More than 50 per cent of hotel bookings for the peak September-November tourist season have been cancelled since the attacks on New York and Washington, the chief of the Hotel Association Nepal, Narendra Bajracharya, said.

"More than 50 per cent of bookings have been cancelled in the aftermath of the attacks on the United States. We are even receiving cancellations for March and April next year," Bajracharya said.

Nepal is home to eight of the world's highest mountain peaks, including the tallest, Mount Everest, and is a popular destination for climbers and trekkers.

The main tourist seasons are September-November and March-April.

Bajracharya urged the government to help the industry by rescheduling loans or by providing long-term soft loans to business people.

"The bulk of the cancellations are from Americans who don't want to leave their country now," said Govinda Rijal, an official at the luxury Yak and Yeti hotel in Kathmandu.

Koizumi vows to push for reform

AFP, Tokyo

Japanese Prime Minister Junichiro Koizumi said Thursday he would press ahead with structural reforms but was also prepared to take drastic measures if necessary to support the flagging economy.

"The Japanese economy is on a wild sea of worldwide difficulties. We need to heed future economic developments to weather the storm," Koizumi said in a policy speech to the lower house of parliament to the lower house of parliament as it opened for a new 72-day session.

Japan is expected to have sunk into recession in the current quarter for the fourth time in a decade and unemployment is at a record high.

Koizumi's trumpeted structural reforms, including speeding up the write off of bad loans -- which is expected to lead to more business failures -- and cutting some public spending, are expected to put even more pressure on the battered economy in the short term.

"We will take flexible and drastic measures depending on the future

economy, though we are progressing with structural reforms to boost Japan's economic growth potential," he told Parliament.

Koizumi remained committed to a controversial cap on new government bond issues this year and next, although it is seen as seriously restricting the government's ability to introduce supplementary spending measures to support the economy.

"The government will follow our proposed 30 trillion yen (255 billion dollars) bond-sales limit, even when compiling a supplementary budget," he said.

"Revitalisation of the Japanese economy is our duty for the rest of the world... The processing of bad loans is the government's number one priority," he said.

ING Barings chief economist Richard Jerram said Koizumi went "over the same old ground" in the speech but added that the presentation of the plans to the new session of Parliament meant he had got the ball rolling in the legislative arena.

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IMF said. Its latest report was largely compiled before the attacks and it had to update the report with an addition to it on Wednesday morning.

The IMF revised down its estimates for US economic growth for both this year and 2002 from the figures it gave in April. It said gross domestic product would expand 1.3 per cent this year instead of 1.5 per cent and that growth in 2002 would be 2.2 per cent instead of 2.5 per cent.

But the figures were not adjusted for the Sept. 11 attack. "Clearly, recent events will have an impact on activity in the short term, and add to the already significant downside risks both in the United States and elsewhere," the IMF said.

In a statement issued on Wednesday morning, Kenneth Rogoff, chief economist for the IMF, said the precise impact of the Sept. 11 attacks on the United States or elsewhere can not yet be gauged. But he implied the damage might not be lasting.

Taipei threatens to boycott Shanghai APEC summit

AFP, Taipei

Taiwan has threatened to boycott next month's APEC leaders' summit in Shanghai to protest what it said was China's unfair treatment, a report said Thursday.

The Presidential Office has asked the relevant government agencies to file a protest to Beijing over its "attempt to suppress Taiwan" by not giving it a formal invitation to the Asia Pacific Economic Cooperation (APEC) summit, the Commercial Times said.

"The Presidential Office also has prepared for the worst that Taiwan would stay out of the summit if the Chinese communists continued to suppress Taipei," an unnamed presidential office source was quoted by the paper as saying.

ROK sweat shop factories criticised

AFP, Seoul

An international clothing workers union federation Thursday condemned South Korean firms for treating workers as "virtual slaves" in sweat shop factories abroad.

The Brussels-based International Textile, Garment and Leather Workers' Federation threatened to put South Korea at the head of a "dirty list" of contractors the world should shun as business partners.

Federation secretary general Neil Kearney accused South Korean-owned firms in Guatemala, Honduras, Sri Lanka, Samoa, Bangladesh and Tanzania of "growing rich on human exploitation and abuse of their workforces and blatant disregard of national laws and international labour standards."

US jobless claims surge to 450,000

AFP, Washington

The number of people making new US unemployment benefit claims soared by 58,000 to a nine-year high of 450,000 last week, the Labour Department said Thursday.

The total, the highest number since the week ended July 25, 1992, exceeded Wall Street analysts' expectations for a figure of 440,000 in the week to September 22.