

## Filipino carriers hike airfares

AFP, Manila

Philippine air carriers hiked airfares on Monday, but officials said the rise would be reversed when tensions from the recent terror attacks in the United States subside.

"If they do not comply with the insurance requirement, they will be grounded by their lessors or creditors... which could result in a mass layoff of airline workers," Transportation and Communications Secretary Pantaleon Alvarez said in a statement just after the fare increase took effect.

Philippine Airlines, Cebu Pacific Airways and Air Philippines raised airfares by 300 pesos (5.7 dollars) for domestic flights and six dollars for international flights.

The official Civil Aeronautics Board had ruled that such a fare hike was justified in the wake of the September 11 terrorist attacks when passenger jets were used as flying bombs against the World Trade Centre in New York and the Pentagon in Washington.

Airlines worldwide have been forced to increase fares after insurance costs soared following the attacks which have claimed around 5,700 lives.

# India may cut interest rates to boost economy: Analysts

AFP, Bombay

India's central bank may soon cut interest rates after economic growth for the three months to June fell to 4.4 per cent from 6.1 per cent a year earlier, analysts said Monday.

They said the Reserve Bank of India (RBI) may cut the bank rate and the cash reserve ratio by at least half a per cent to 6.5 and 7.0 per cent respectively.

"The possibility of a rate cut exists given the current situation of the economy. The RBI and the government are largely following the Alan Greenspan principle of rate cuts to kickstart the economy," HSBC Securities India head of research Vasudeo Joshi said.

Greenspan, chairman of the United States Federal Reserve, has announced a series of interest rate cuts in the past year to boost the US economy including one of 50 basis points since the September 11 terrorist attacks on New York and Washington.

India's Central Statistical Organisation said Friday that manufacturing growth plummeted

from 7.7 per cent in the June quarter last year to 2.3 per cent in the latest period.

However agriculture, a key component of the economy, rose to 2.3 per cent from 0.6 per cent a year earlier.

Finance Minister Yashwant Sinha has already announced the government will come out with a bail-out package to boost the economy, which may include labour reforms, checks on fiscal deficit and a dismantling of state-subsidised pricing for petroleum products.

"However, on top of the agenda could be a fresh interest rate cut in order to trigger a credit demand pick-up," a banking analyst with a domestic brokerage said.

RBI governor Bimal Jalan has said the central bank will not hesitate to order a cut if the situation demands.

On September 24, the central bank announced a cut in interest rates on credit offered to exporters and also finalised a special financial package to boost exports of pharmaceuticals, agro chemicals and four other valuable commodities.

An analyst with a foreign brokerage, however, said the RBI may decide against further interest rate cuts because banks were already "full of funds."

"What is required is that companies take loans for new projects. This also could happen only if there is a genuine demand pick-up. So it's more of a vicious circle," he said.

"Investors in government schemes such as provident funds are getting returns at the rate of 9.5 per cent annually. Any cut in rate will lead to further reduction in these returns also, which could be taken badly by investor lobbies," he added.

He said a rate cut would be largely designed to bridge the gap with the US rate of 4.5 per cent.

HSBC's Joshi said a rate cut, however, would not necessarily reverse the slowdown.

"It has been our experience that whenever a rate cut comes, stock markets fall. So an across-the-board rate cut is not sufficient to boost markets or the economy," he said.



Japan's mobile telecommunication giant NTT DoCoMo employee, Mariko Wada, displays the third generation (3G) visual phone at the company's shop in Tokyo Monday. NTT DoCoMo launched the world's first 3G mobile phone service hoping to snap up six million domestic subscribers by March 2004.

## Yen falls against dollar in Tokyo

AFP, Tokyo

The yen fell against the dollar in Tokyo Monday after a survey by the Bank of Japan showed business confidence deteriorated sharply in the three months to September, dealers said.

The Japanese currency was quoted at 119.63-66 to the dollar at 5:00 pm (0800 GMT), down from 119.44 in New York and 119.27-30 in Tokyo late Friday. However, the yen was up slightly from a low of 119.85 earlier in Tokyo.

"The survey clearly showed Japan's economy would be trapped in a downturn for a long time," said Hirokazu Node, dealer at Sumitomo Mitsui Bank.

In the central bank's Tankan report for the September quarter, the index of large manufacturers' confidence dropped to minus 33 from minus 16 in the June quarter with the index of large non-manufacturers' confidence slipping to minus 17 from minus 13. The figures offered the first indication of business sentiment in Japan since the deadly terrorist strikes in the United States, with 70 per cent of the responses collected after the September 11 attacks.

The indices measure the difference between firms saying economic conditions are favourable and those saying they are not. A negative figure means a majority of firms believe conditions are unfavourable.

"Although market players hardly reacted to the survey immediately after its release, they gradually started selling the yen," said Hideyuki Tsukamoto, dealer at Fuji Hideyuki.

"The negative data in the Tankan survey became an incentive for investors to sell the yen," Tsukamoto said.

Although the Japanese unit was under pressure for the time being, it would move in a tight range ahead of a meeting by the Federal Open Market Committee on Tuesday to set US interest rates, dealers said.

Investors expected the Fed to cut interest rates by 50 basis points to 2.5 per cent, said Sumitomo Mitsui's Node.

"They were reluctant to take any action ahead of the meeting," he said.

Commerzbank foreign exchange manager Ryohei Muramatsu added reduced anxiety over possible US retaliatory action in response to the deadly attacks was supporting the dollar.

"The American attack on Afghanistan is not imminent. One week ago the market was nervous about an attack," he said.

The euro bought 0.9102-04 dollars at 5:00 pm, compared with 0.9104 dollars in New York and 0.9145-47 dollars in Tokyo late Friday.

DBS Bank in Singapore said the euro was confronted with contagion risks from weak global demand and falling commodity prices.

"Nonetheless, the ECB (European Central Bank) is politically motivated to see a strong euro for its full conversion in 2002, which should help keep the euro above 0.90 for the rest of the year," the bank said in a report.

# Japan PM plugs tough reform despite feeble economy

AFP, Tokyo

Japan's premier pledged Monday to implement a reform plan despite mounting fear the impact of terrorist attacks in the United States coupled with a prolonged downturn at home could push the nation into crisis.

Prime Minister Junichiro Koizumi said he aimed for "real economic growth led by the private sector" but warned of lingering uncertainty after the suicide strikes of September 11.

"I believe that while I should pay close attention to the changes in the situation, I should speed up the implementation of structural reforms... to boost the economy's basic foundation for growth," he said.

Koizumi's reform medicine includes a proposal to rid banks of non-performing loans in three

years, privatise inefficient public corporations and slash wasteful government spending.

Taking questions from members of the powerful lower house of parliament the Prime Minister vowed to clean up the banking sector and take measures to increase jobs.

He said the state-run Resolution and Collection Corp. (RCC) should buy non-performing loans from lenders at market value, rather than their much higher book value, squashing hopes of an aid package from Tokyo to support banks as they struggle to dispose of a mountain of bad debts.

Ruling politicians have demanded the government allows banks to sell their loans to the RCC at book value, well above the market price, which would amount to an injection of public funds.

"Buying at the book value is meant to bail out the banks because the action means an injection of public money," Koizumi said.

"Therefore, I believe the Resolution and Collection Corp should buy bad loans at their market value," he said.

Bad loans held by Japan's financial institutions totalled 43.4 trillion yen at the end of March according to the Financial Services Agency and are cited as a root cause of the nation's ailing fundamentals.

Koizumi also promised to reform regulations related to capital gains taxes to encourage investors to participate more actively in the market in a bid to boost sagging share prices, which have lost almost 30 per cent in value since the Prime Minister took office at the end of April.

# Business confidence in Japan falters as recession looms

AFP, Tokyo

Fresh data on plunging business confidence shows Japan's economy is sliding deeper into recession and the slump will be longer than had been expected after the terror attacks in the US, analysts said Monday.

"The Tankan confirms Japan is falling into a recession. Confidence has deteriorated across the board," Merrill Lynch chief economist Jesper Koll said after the release of the Bank of Japan's latest quarterly survey of corporate sentiment.

Masaaki Kanno, chief economist at JP Morgan added the September 11 terrorist attacks added to widespread boardroom blues.

"(The drop came as a result of) the general deterioration of the economic environment and shock in the aftermath of the terrorist attacks on New York.

The September Tankan showed the index measuring business sentiment among large manufacturers plunged 17 points to minus 33 from minus 16 in the June quarter in the third consecutive quarterly

decline. The index of large non-manufacturers' confidence slipped to minus 17 from minus 13, as pessimism spread across the entire economy.

"There is no good news. We just have to hope that there is a recovery in global demand," said UBS Warburg chief economist Hirochichi Shirakawa. "The question is how deep the economic downturn is going to be this time.

"We have to foresee a weaker number in December and March. I think (predictions in the Tankan) are unrealistic."

The large manufacturers' forecast for the next three months in the Tankan showed a slight improvement to minus 31.

Japan's exports will be hit hard by the falling value of the dollar against the yen, coupled with a global aversion to spending money in the wake of the terrorist onslaught, analysts said.

"Consumer confidence in the US has deteriorated substantially and consumer demand is weaker," Shirakawa said. "This will affect the

auto makers and IT (information technology) related sectors, they can expect to see continued weakness."

Industrial Bank of Japan economist Atsuo Tominaga said the headline figure for large manufacturers' confidence may later breach an all-time low of minus 51, marked in the December quarter of 1998.

"Most firms apparently were still unable to fully gauge the impact of the September 11 terrorist attacks and a further deterioration of domestic demand," Tominaga said.

"In addition, the positive impact of the prolonged weakness of the yen... is beginning to weaken already, which may further exert downward pressure on corporate earnings."

The Ministry of Finance has intervened in markets repeatedly in the last two weeks to curb the rise of the yen against the dollar, which has sagged in the wake of the terrorist attacks.

September's Tankan survey gave one clear message to the government -- keep the yen down, analysts said.

## Vietnam PM to drum up trade, investment on European tour

AFP, Hanoi

Vietnamese Prime Minister Phan Van Khai is to make a three-nation European tour from October 7 to 16 to drum up aid and investment and boost demand for the communist state's exports, diplomats said Monday.

Khai, regarded as the leading reformer within the Hanoi regime, will make a two-day visit to Spain before travelling on to Germany October 9 and the Netherlands October 14, the diplomats said.

The Vietnamese prime minister last visited Europe in 1998, when he toured Austria, Belgium and Britain.

## Russian firms win \$40b deals in Iraq

AFP, Baghdad

Russian companies have won contracts worth 40 billion dollars to help develop Iraq's oil and gas, petrochemical and industrial sectors, Iraqi Trade Minister Mohammad Mehdi Saleh said Sunday.

"We agreed a long-term programme of economic cooperation, under which Russian firms will implement projects in Iraq worth 40 billion dollars," Saleh said, quoted by the official INA news agency.

The programme covers more than 70 projects, 17 of them in the oil and gas sector, six in the petrochemical field and 15 in industry, Saleh said, without elaborating.

Exports from Russia to Iraq have reached 4.3 billion dollars since the UN oil-for-food programme was introduced at the end of 1996, Saleh said.

The minister reiterated Baghdad's decision to give Russia and Syria priority in trade relations for having supported Iraq in July against the aborted US-backed British bid at the UN Security Council to impose so-called "smart" sanctions.

He also blasted the UN humanitarian programme, saying Iraq had "only received 33 per cent of its oil export revenues, that is a total of 14.127 billion dollars, or an average of 2.837 billion dollars a year."

With reserves estimated at 112 billion barrels, Iraq -- which is an OPEC member but not included in the cartel's output quota system -- ranks second in the world behind Saudi Arabia, which has reserves of 261 billion barrels.

## Japan's new auto sales fall 4.1pc

AFP, Tokyo

Japan's new vehicle sales in September fell 4.1 per cent from a year earlier to 371,318 autos as demand tumbled amid a prolonged economic slump, an industry association said Monday.

"Sales fell due to Japan's weak economy," Susumu Ichinohe, a spokesman for the Japan Automobile Dealers Association, said, adding the fall in September marked the first year-on-year decline in three months.

"Auto sales were stagnant as consumers were not buying new cars under the severe economic situation," the spokesman said.

Car sales in the month fell 1.4 per cent to 271,455 and truck sales dropped 10.8 per cent to 98,463, the association said in a statement.

## Motorola, Siemens in mobile tie-up talks

AFP, Frankfurt

Motorola and Siemens are in talks to create a joint venture for either their wireless infrastructure business or their handset business or both, the Wall Street Journal Europe reported on Monday, quoting sources familiar with the situation.

The deal could create ventures with a total value of between 20 billion and 25 billion dollars (22-27.5 billion euros), the newspaper said.

Talks had been going on since the start of the summer, but they were still at a delicate stage and could fall apart, it continued.

No announcement was imminent, it added.

Siemens declined to comment on the report.

The newspaper said the talks were being held at a point where many of the leading mobile phone makers had been hit hard by the global economic slump.

Philips Electronics had restructured its unprofitable handset business and Sony and Ericsson had joined forces and set up a joint venture to produce mobile phones.

At the same time, while mobile phone operators have spent billions of dollars on new mobile phone licences, they were getting cold feet about spending even more to buy the equipment to get the new networks up and running.

## Taiwan to spend \$3b to upgrade industry

AFP, Taipei

Undaunted by the prolonged economic recession, Taiwan plans to spend about 100 billion Taiwan dollars (2.9 billion US) in new capital venture funds to upgrade domestic industry, it was reported Sunday.

The money -- 30 billion from the government and the rest from the private sector -- will be divided into 50 capital venture funds available early October, the island's economic czar was quoted as saying by Sunday's Liberty Times.

"Banks tend to be more reluctant than before in lending money to the newly developed industrial sector in the so-called Knowledge Economy era during which lifecycle of tech-

nology and industrial products is short," said Chen Po-chih, chairman of the Council for Economic Planning Development.

"The funds are designed to help the high-tech firms obtain their badly needed loans," he said on the sidelines of a seminar Saturday.

There are 191 venture capital companies in Taiwan with a combined capital of 130 billion dollars.

The economy suffered its biggest quarterly fall in 26 years of 2.35 per cent year-on-year in the three months to June.

The flagging economy received another body blow after Typhoon Nari devastated northern Taiwan two weeks ago in the worst floods in a century.

## ROK trades surplus shrinks to \$886m

AFP, Seoul

South Korea's trade surplus in September shrank to 886 million dollars from 1.8 billion dollars a year earlier due to slowing exports, officials said Monday.

September exports slumped 16.6 per cent to 12.6 billion dollars, while imports fell 11.7 per cent to 11.7 billion dollars, said the Ministry of Commerce, Industry and Energy.

The trade surplus in the nine months to September shrank to 7.6 billion dollars from 8.01 billion dollars during the same period last year.

Exports of semiconductors and other key products remained sluggish.

Semiconductor exports plunged 63.3 per cent to 602 million dollars, computer shipments were down 23.4 per cent at 536 million dollars, and petrochemical products slid 10.6 per cent to 415 million dollars.

Steel exports also fell 4.4 per cent to 228 million dollars. However, automobile exports rose 65.2 per cent to 606 million dollars and ships jumped 31.4 per cent to 419 million dollars.

September exports to the United States fell 25.1 per cent to 1.1 billion dollars and exports to the EU dropped 1.9 per cent to 851 million dollars.

The country posted a current account deficit of 111 million dollars in August, prompting the government to cut this year's economic growth forecasts.

Trade officials said the current account balance would be in surplus again in September, despite concerns over a further slowing of the global economy following terrorist strikes in the United States.

## Indonesia's inflation rises as rupiah weakens

AFP, Jakarta

Indonesia's struggle to curb inflation has suffered a setback with the weakening of the rupiah, the government said Monday.

The Central Bureau of Statistics said the consumer price index rose 0.64 per cent in September from the previous month and was up 13.01 per cent from a year earlier.

The rises followed month-on-month deflation of 0.21 per cent in August and year-on-year inflation of 12.23 per cent that month.

While food prices fell slightly in September, prices of all the other goods surveyed rose.

The official inflation target for this year is 9.3 per cent and eight per cent for next year.

But a recent fall in the rupiah's value, partly triggered by anti-US protests, is jeopardising the government's economic recovery plans.

Vice President Hamzah Haz said Monday that anti-US demonstrations and threats against Americans were dragging down the rupiah and hampering economic recovery.

"We want a quick recovery of the economy. But if the political stability is disturbed, it is hard to achieve the rupiah exchange rate we assumed for the state budget," Haz told reporters.

Next year's budget assumes an average exchange rate of 8,500 to the dollar. Just before midday Monday it was trading at 9,840-9,870.

Protesters have warned the US not to attack Afghanistan, where Washington's chief suspect for the September 11 terrorist attacks, Osama bin Laden, is said to be hiding.



A delegation of leading architects, engineers and consultants of Bangladesh led by the Chairman of Maan Bangladesh Ltd, Habibur Rahman, visited South Korea recently to attend a seminar and see factory of elevators and escalators of world renowned LG. OTIS Elevator Co. in Seoul



Foreign tourists enjoy a city tour by-bicycles in the old quarter of Hanoi on Monday. Tourist arrivals in Vietnam are seen to shrink following the crisis in the tourism and aviation industries due to the terror attacks in the United States 11 September, official newspapers reported. Local travel agency reports said many signed contracts with European travel agencies for foreign tourists' tours had been cancelled in recent days.