

## Pakistanis taste economic rewards of US support

AFP, Karachi

Pakistan's battered rupee rose sharply against the US dollar Monday as the deeply impoverished country began to taste the economic rewards of cooperation with the United States-led war against terrorism.

Forex dealers in this commercial and trading centre said the rupee was selling for 64.50 Monday, from 65.70 on Saturday and around 68 before the September 11 terrorist attacks in the United States.

They said the rupee was responding to the lifting of US sanctions, the rescheduling of US loans and Washington's likely support for further assistance to Pakistan from

the International Monetary Fund.

Currency stabilisation and revenue generation have been key targets of the military government of President Pervez Musharraf since he seized power in a coup in October 1999.

However economists said the stronger rupee would not help boost exports or kick-start industrial

activity, which had plunged amid fears of US attacks against the Taliban militia in neighbouring Afghanistan.

"It won't benefit the economy as production activities have come to a grinding halt due to the hovering possibility of war," economist Qaiser Bengali said.

## US favours giving Russia market economy status

AFP, Moscow

US Trade Representative Robert Zoellick said Saturday Washington would be in favour of granting Russia market economy country status, the RIANovosti news agency reported.

Zoellick made the comment after meeting Russian Prime Minister Mikhail Kasyanov on the last day of his visit devoted to discussing Moscow's bid to join the World Trade Organisation (WTO).

Zoellick was quoted by RIA Novosti as saying Russia had made great progress in reforming its economy.

On Friday Zoellick said that the United States wanted Russia to join the World Trade Organisation (WTO) "as soon as we can" but stressed, after meeting Russian minister for economic development German Gref, its legislation must conform with that of the Geneva-based world trade watchdog.

He also said: "We agreed that we'll try to target the completion of a draft working report of Russia accession to the WTO by early next year."



PHOTO: AFP

People rushed on money exchange centres Monday in the port city of Karachi to offload their dollar holdings as the greenback lost its value against Pakistani rupee by 1.5 per cent. Analysts forecast further cut in dollar value in the coming days as the US and other developed countries are inclined to provide economic assistance to Pakistan for its cooperation in combating international terrorism.

## Business confidence declines in Australia after US attacks

AFP, Sydney

Australian business confidence has fallen sharply in the wake of the US terrorist attacks and the collapse of Ansett Airlines, according to a survey released here Monday.

The survey, conducted by the Australian Chamber of Commerce and Industry, showed the Australian economy was on the road to recovery but that confidence had been

shaken.

Of those businesses surveyed, only 25.8 per cent expected activity to increase in the three months to January, compared with 56.1 per cent when an earlier survey was conducted in July.

The number of businesses expecting activity to fall rose sharply in the most recent survey to 24.7 per cent from just 8.9 per cent in July.

More businesses expect the

national economy to be weaker as well with 46.1 per cent of those surveyed expecting a fall in gross domestic product (GDP) growth over the three months to January.

This compares to 12.6 per cent of businesses which had expected slower GDP growth in the previous survey.

"The clear message is that if businesses are expecting a lower level of activity, they will scale back their levels of production, employment and investment," said ACCI chief executive Mark Patterson.

Businesses were likely to have a more guarded approach in the near term than what was initially expected and this could have a negative impact on economic growth.

Almost 25 per cent of the respondents expected interest rates to rise over the three months to January.

However, the ACCI argued that lifting interest rates should not be

considered by the Reserve Bank of Australia because it would be extremely negative for businesses.

"Rates should be falling to ensure that growth resumes as soon as possible," Patterson said.

But he said the central bank board, which meets on Tuesday, should make it clear that it has no intention of adding to the problems business already have by raising rates.

It should unequivocally state it had no intention of raising rates until there was clear evidence that the danger was past and strong rates of economic growth had resumed, or it had unmistakable evidence that inflation had begun to rise strongly, he added.

Ansett Airlines was dumped into administration by its parent Air New Zealand last month and collapsed two days later, although a few of its aircraft have returned in a much scaled-down service.

## Two banks to help bail out Swissair

AFP, Bern

Swiss banks UBS and Credit Suisse Group will provide up to 51 per cent of the capital needed to save ailing airline Swissair from bankruptcy, UBS spokesman Michael Willi said on Sunday.

Willi would not say exactly how much UBS would provide, saying "all the details are not yet sorted out."

Earlier on Sunday Swissair Group had appealed to the Swiss government for last-ditch financial aid, after major newspapers reported banks were unwilling to help.

"On the basis of our costs in 2001 to 2002, without state aid we cannot cope with the situation," Swissair spokesman Jean-Claude Donzel told AFP.

Swissair Group has been suffering from severe financial trouble brought on by a costly expansion strategy in recent years.

Like the airline industry as a whole, it also suffered when the air travel market was thrown into a tailspin after the September 11 terrorist attacks in the United States.

The UBS move was an apparent change of position, after newspaper SonntagsZeitung on Sunday quoted Willi as saying: "we are not prepared to help out Swissair with short-term liquidity."

Swissair Group says it needs 400 million Swiss francs (271 million euros, 247 million dollars) to avoid bankruptcy just in the coming week, but the banks had been reluctant to provide short-term loans, according to Swiss newspapers.

Newspaper reports on Sunday said the group needed between eight and 12 billion Swiss francs to ensure its long-term survival under a recovery plan being drawn up by a working group of Swiss bankers, business and politicians.

On Saturday the Swiss government said it would not play a "subsidiary role" in the recovery plan under preparation.

In the wake of the attacks nearly three weeks ago, Swissair says it plans to axe 3,000 jobs and concentrate on Europe and just a few profitable long-haul routes. The cuts amount to 25 per cent of its long-haul fleet.

## Weekly Currency Roundup

# Asia-Pacific units change little against dollar

AFP, Hong Kong

Currencies across the Asia-Pacific region changed little against the US dollar over the past week, with the exception of the yen.

**JAPANESE YEN:** Japan's monetary authorities repeatedly intervened in the foreign exchange market with dollar buying to soften the yen, which had risen sharply after the September 11 terrorist attacks in the United States.

The yen steadily slid back throughout the holiday-shortened week to fetch 119.27-30 to the dollar late Friday, against 116.76-79 to the dollar a week earlier. There was no trading on Monday for a public holiday.

Finance Minister Masajuro Shiokawa told reporters Friday after the latest round of intervention that it was not appropriate for the dollar to trade around the 116-yen level, "given the poor economic conditions and deflationary pressure on prices" in Japan.

He said the authorities would continue to intervene "if potentially speculative moves are seen in the forex market".

Japan is worried that the strength of the yen will hurt its key export industries, making Japanese goods more expensive overseas and eroding foreign earnings in yen terms.

On Thursday, even the Federal Reserve Bank of New York and the

European Central Bank sold yen on behalf of the Bank of Japan in US and European trading hours.

The yen hit a low of 119.78 to the dollar here just after Friday's intervention in the Tokyo market.

**AUSTRALIAN DOLLAR:** The Australian dollar languished at sub-50 US cent levels, valued by an increasingly negative currency market at 49.27 US cents.

The local currency closed at 58.70 Japanese yen and bought 54 euro cents.

"The Australian dollar has moved into a 47-50 US cent trading band," Commonwealth Securities chief economist Craig James said.

"Economic variables may be in

reasonable shape, but a country such as Australia, which relies on commodities and in-bound tourism for foreign exchange earnings, is shunned in the current environment.

"It is likely the Australian dollar will revisit the all-time low against the greenback of 47.75 US cents."

**NEW ZEALAND DOLLAR:** The New Zealand dollar closed Friday worth 40.46 US cents from 40.74 cents a week earlier.

The kiwi closed the week up with news Friday that the economy grew at a better-than-expected pace in the June quarter.

**HONG KONG DOLLAR:** The Hong Kong dollar closed at 7.994-96 on the greenback, barely

changed from last week's 7.7994-7.8002.

**SINGAPORE DOLLAR:** The US dollar traded at 1.7631 Singapore dollars from 1.7398 Singapore dollars on September 21.

**INDONESIAN RUPIAH:** The rupiah closed weaker at 9,710-9,725 to the dollar compared to the previous week's 9,425/9,435.

**PHILIPPINE PESO:** The peso depreciated to 51.32 to the dollar on Friday from 51.23 on September 21.

**SOUTH KOREAN WON:** The won weakened from 1,300.00 won a week earlier to close 1,309.40 won on Friday, reflecting the weak yen on overseas markets.

**TAIWAN DOLLAR:** The Taiwan

dollar finished slightly lower over the week at 34.549 against the greenback Friday amid weakness of the US dollar after the September 11 terror attacks in the US, dealers said.

**THAI BAHT:** The baht depreciated slightly against the greenback over the week in line with the Japanese yen after the Bank of Japan intervened to weaken the currency fearing that its exports would be disadvantaged, dealers said.

The Thai unit closed Friday at 44.44-46 baht to one dollar, compared to last week's close of 44.17-19.

