

Pakistan to receive \$40m from Japan

REUTERS, Islamabad

Japan formally signed an agreement Friday giving \$40 million in assistance to Pakistan and promised more aid in the wake of Pakistan's decision to support the US-led coalition's campaign against terrorism.

"We highly value Pakistan's courageous decision to stand by the international community and to work in concert with Japan and other concerned countries in the fight against terrorism..." Japanese ambassador Sadaaki Numata told a news conference.

The United States has promised to hunt down Osama bin Laden and punish his Afghan Taliban protectors, after naming him as the prime suspect for the September 11 attacks in New York and Washington that left nearly 6,000 dead or missing.

After Pakistan's decision to back the US-led "war on terror," Japan promised economic help to the cash-strapped country which is struggling with a \$37 billion foreign debt.

The \$40 million economic assistance includes a \$25.5 million grant for budgetary support so that the government can tide over some cash shortages.

Numata said Japan was also extending up to \$120 million to the United Nations in response to its appeal to donors for emergency funding to help avert a humanitarian crisis in Afghanistan as it braces for an American attack and a cold winter.

Pakistan, Afghanistan's eastern neighbour and already host to more than two million Afghan refugees, could face a flood of up to another one million desperate people, the United Nations refugee agency UNHCR says.

O'Neill says US economy sound

REUTERS, Washington

US Treasury Secretary Paul O'Neill said Friday the week-end meeting of Group of Seven finance ministers will stress the need to pump some confidence back into a global economy shocked by the September 11 attacks.

At a briefing for reporters prior to Saturday's session of G7 ministers, O'Neill said US economic fundamentals remained sound despite suffering a setback from the assault.

"As we work with our G7 partners, I will continue to emphasize the need to reinvigorate worldwide economic growth," O'Neill said. He said both rich industrial nations and emerging economies have been adversely affected by a global slowdown.

But in advance of Saturday's session of officials from the world's wealthiest industrial nations, he attempted to tamp down fears the US might slip into a lengthy downturn.

Analysts have said the devastating impact of the attacks on many industries may have tipped the United States into a recession that could in turn pull the global economy down.

"The attacks of September 11 were a shock to our economy, abruptly halting activity in many sectors which will almost certainly result in a negative growth rate in the third quarter and a delayed recovery in the United States by a quarter or so," O'Neill said.

But he added, "I remain confident that our economic fundamentals are strong and the US economy will excel in the long run."

The Group of Seven comprises the United States, Britain, Canada, France, Italy, Germany and Japan. Russian finance officials also will attend a portion of the meeting at the US Treasury on Saturday.

O'Neill said the other key theme of the meeting, which was originally set for September 28 but was postponed in the wake of the attacks, will be the coordinated effort to pinch off funding for violent groups like those behind the September 11 assault.

"Our G7 partners have taken steps to shut off the funds that support terrorists and they are eager to join us in broadening our efforts to include every nation in the world," he said.

O'Neill emphasised that the United States and other industrial countries were determined to press the fight against groups sponsoring terrorism regardless of the cost.

"No matter what it costs, our economy is so strong... we'll suck it up without doing harm to our three to 3.5 per cent real growth rate," he said.

In response to a question about Japan's intervention in currency markets, buying dollars to prop up their value, O'Neill said he had nothing to add about US foreign exchange policy. O'Neill noted that, in the past, he had said it was up to individual finance ministries to take appropriate steps with respect to their own economies.

Blair signals Pak re-entry into European markets, IMF aid

AFP, Islamabad

British Prime Minister Tony Blair on Friday signalled obstacles for military-led Pakistan's re-entry into European trade markets and international aid channels would be removed.

His comments came as Blair met Pakistani Prime Minister Pervez Musharraf in Islamabad to shore up Pakistan's support for the multinational alliance against terror suspect Osama bin Laden and Afghanistan's Taliban regime.

Blair indicated that the International Monetary Fund (IMF) would agree to a new aid programme for Pakistan.

"We stand ready to help in issues like debt and support for budgetary programmes in the context of the new IMF programme that I am sure will be agreed," Blair told reporters after meeting

Musharraf.

The cash-strapped nation had asked the IMF for a 2.5-billion-dollar loan following the end of a 600-million-dollar aid programme last month, but has yet to receive an official answer from the organisation.

Blair did not give any details of the new aid package.

Blair also said Britain and Pakistan would restart defence cooperation.

"In addition we will support strongly a European Union trade and co-operation agreement with Pakistan due to be finalised on Monday," Blair said.

Pakistan, which is struggling under the burden of more than 30 billion dollars of foreign debt, has suffered from European and other international trade sanctions following its 1998 nuclear tests

and the military coup which brought Musharraf to power in October 1999.

Blair also highlighted Britain's pledge of 40 million dollars to help Pakistan cope with the flood of refugees from neighbouring Afghanistan.

Pakistan is already home to two million Afghan refugees and there are fears that hundreds of thousands more could pour across the border in the event of US military strikes.

Musharraf thanked Blair for the economic assistance.

"I would like to express my gratitude to the prime minister for his understanding of the problems being confronted by Pakistan and my government," Musharraf said.

"I would also like to express my gratitude to the prime minister for his generous assistance to us in the economic field and also his assurances of future assistance to Pakistan."



PHOTO: AFP
US President George W. Bush (R) addresses the media as US Secretary of Treasury Paul O'Neill (L) looks on in the Rose Garden of the White House in Washington, DC on Friday, calling upon the Congress to cut taxes by at least another 60 billion USD to help the economy recover from the September 11 terrorist attacks. Bush said further stimulus should be based on tax reductions rather than spending increases, noting that Congress had already passed stimulus measures worth some 60 billion USD.

Bush pushes for stimulus plan devoted to \$60b tax cuts

REUTERS, Washington

President George W. Bush called on Congress Friday to pass an economic stimulus package that delivers at least \$60 billion in tax relief to American consumers and businesses, brushing aside demands by Democrats for more government spending to bolster US growth.

"In order to stimulate the economy, Congress doesn't need to spend any more money; what they need to do is to cut taxes," said Bush, flashing out the details of his \$60 billion to \$75 billion plan to shore up the flagging economy after last month's hijack attacks.

The move brings Bush more into line with conservative Republicans in Congress, who favour tax cuts aimed at spurring business investment. Some conservatives feared Bush was moving in the direction of Democrats, who want to include infrastructure projects and health benefits in the package.

The Republican leadership welcomed Bush's directive on the stimulus package, which was seen as a rebuff to Democrats.

"Since there has been no shortage of government spending in recent weeks, Congress must now focus on providing a new round of tax relief for American taxpayers," said Rep. Tom DeLay of Texas, a member of the House Republican leadership.

A spokesman for House Speaker

Dennis Hastert, an Illinois Republican, said he expected the House of Representatives to act quickly to "kick start the American economy."

Democrats reacted with anger. Senate Majority Leader Tom Daschle, a South Dakota Democrat, warned Bush against bowing to pressure from "extreme voices" in Congress. "We must resist those partisan influences and continue to take the best ideas advanced by both parties," Daschle said.

Bush's comments followed the release of a government report showing the US economy suffered its steepest job loss in a decade in September. The figures did not include job cuts that followed the strikes on the World Trade Centre and Pentagon.

If Bush gets his way, the stimulus package would be devoted to tax cuts that would encourage consumer spending and business investment. Specifically, the president said the package should accelerate marginal tax cuts already in the pipeline, as well as provide tax relief to moderate- and low-income workers.

Bush said the package should also eliminate the alternative minimum tax for companies and allow businesses to write off purchases of computers and other equipment faster.

Bush has been under pressure from Democrats and local officials to

devote a large portion of the stimulus package to rail, road and other infrastructure projects.

The attacks have, for example, prompted an emergency funding request and added new impetus to measures in Congress that would pour anywhere from \$12 billion to \$71 billion into high-speed rail construction projects.

"A smart, strategic investment in American infrastructure would create jobs and economic activity and increase national security," Marc Morial, president of the US Conference of Mayors, said in a letter to lawmakers on Friday.

Democrats are also seeking extra money to expand unemployment benefits and to provide some health insurance coverage to those who have lost their jobs since the attacks.

But the White House asserted that additional spending was not needed since Congress has already approved nearly \$60 billion in new outlays, including money for disaster relief and to bailout cash-strapped airlines. Bush has also proposed \$3 billion in federal government grants to help laid-off workers.

"We've spent money in order to have a stimulative effect of some kind," Bush said. "But to make sure that the economy gets the boost it needs, Congress ought to come together quickly and accept the ideas that I just laid out."

But this reluctance comes in the face of increasingly bearish data from the United States about building oil stocks after the September 11 attacks on New York and Washington.

Air travel volumes are off sharply, sapping demand for jet fuel, and American motorists appear to be staying off the roads.

Average demand for oil products in the world's biggest consumer was down almost five per cent in the last four-week period versus a year ago, the US Department of Energy said.

OPEC ministers believe speculation, rather than genuine over-supply, has driven prices lower, and want to see the effect of their September output cut before acting again.

They also want assurances from non-OPEC Mexico, Norway and Russia that they will not raise production to fill any cuts left by OPEC.

China allows airlines to levy surcharge

AP, Beijing

China will allow airlines to levy a \$2.50 surcharge from passengers to help pay for increased insurance bills following the Sept. 11 terror attacks in the United States, the state-run Xinhua News Agency said.

Chinese airlines can collect the charge from Oct 15 on international routes and flights to and from the Chinese regions of Hong Kong and Macau, Xinhua said late Friday. Domestic flights are exempt.

Soaring insurance premiums following the Sept 11 attacks will cost Chinese airlines an extra 11 billion yuan (\$120 million) annually, Xinhua said.

The fee of up to \$2.50 that airlines will be allowed to charge each international passenger will cover only one-fifth of their increased insurance bills, Xinhua said.

Oil price slides again on OPEC indecision

REUTERS, London

Oil prices sank in late trading Friday, extending a three-week slump, on growing disbelief by traders that OPEC will cut output to defend its target price range.

News of a meeting planned between key OPEC ministers and non-OPEC producers in Madrid on Sunday emerged soon before the late sell-off, after prices had risen by up about 50 cents earlier in the day. OPEC delegates said the meeting might be delayed because of scheduling problems.

European benchmark Brent Blend crude oil futures settled 52 cents lower at \$21.63 per barrel, while US light crude futures finished 24 cents lower at \$22.39 a barrel.

"I for one don't think they're going to be able to do anything soon," said Tom Bentz of BNP Paribas futures in New York, on hearing of the OPEC meeting.

The three-week price slump has put OPEC's export price below its \$22-\$28 per barrel target for the past nine days, but the cartel appears likely to hold its fire for now.

It is not expected to implement a price stabilisation mechanism on Monday, when its basket price will have spent 10 days below \$22 the trigger for an output cut according to an informal OPEC agreement since early 2000.

OPEC President Chakib Khelil has said the cartel was reluctant to cut production for a fourth time this year before expected US military reprisals which could drive prices sharply higher again.

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IMF for coordinated response to deal with global slowdown

AFP, Washington

The global economy faces heightened risks in the wake of the September 11 terror attacks and now requires a "coordinated international response," IMF managing director Horst Koehler said Friday.

"A number of developments indicate that a more pronounced than expected economic slowdown is underway across much of the IMF's membership," Koehler told the IMF executive board in a bleak assessment of the global economy.

"Even before the attacks on September 11, the global situation was weak, with a synchronized downturn across all major regions."

Following the events of September 11, he said, "a coordinated international response is needed to deal with weaknesses in the world economy and the new risks in the outlook," and called for an "early" meeting of the organization's financial committee and development committee.

Koehler made the comments on the eve of a meeting of top finance officials of the Group of Seven industrialized nations in Washington, which was also working on a response to the economic fallout from the suicide attacks.

The IMF praised the economic stimulus efforts of the United States, but suggested that more needs to

be done, especially by the other big industrial nations.

Koehler said that advanced economies have "a key responsibility" to help avert a severe global downturn, including economic stimulus efforts and cutting interest rates.

The developed countries' central banks "should use the further room for easing available" and cut interest rates beyond the recent action taken by G7 monetary authorities, Koehler said, if necessary to counter downside risks.

He singled out Japan as having particular scope for further easing, saying "in Japan there is still scope for more decisive monetary action."

Lanka's economy heads for record slump

REUTERS, Colombo

A dismal second quarter has left Sri Lanka's economy needing a sharp rebound in the second half of 2001 to meet the central bank's growth target of two per cent.

But analysts said Friday the odds were stacked heavily against such a growth spurt, and they warned internal shocks and paralysed policy would combine with a sluggish world economy to give Sri Lanka one of its slowest years in half a century.

"The central bank's forecast is very optimistic. We are definitely headed for growth of less than one per cent," said Dushni Weerakoon, an economist at the Institute of Policy Studies.

The economy grew by a worse-than-expected 0.4 per cent in the second quarter, against 7.3 per cent in the same period last year, leaving average growth for the first half at 0.9 per cent.

Not since 1971, six years before liberalisation, has the economy

been in such bad shape. Gross domestic product (GDP) grew by 0.2 per cent that year only the second time since records began in 1950 that growth was less than one per cent.

Even maintain in this dismal pace will be a tall order after a disastrous third quarter plagued by some of the worst political and economic upheavals in recent years, on top of the government's long-running and costly war with separatist Tamil rebels.

US attacks hit Bhutan tourism industry

AFP, Guwahati, India

Bhutan is facing its worst tourist season in more than a decade with visitors cancelling their trips in the wake of the terrorist attacks on the United States, officials from the Himalayan kingdom said Saturday.

Some 500 tourists are in Bhutan at present during peak season, compared with 2,000 at the same time last year.

"The tourism industry has already been affected very badly but it is only going to get worse," Sangay Wangdi, Bhutan's tourism director, told AFP by telephone from the capital Thimphu.

Only 4,468 tourists have gone to Bhutan so far this year, against 7,559 in 2000, officials said. If the trend continues it would make 2001 Bhutan's worst year for tourists since the mid-1980s.

The tourist trade earns the impoverished kingdom 10 million dollars a year.

Bhutanese government officials said Western tourists have been cancelling their trips amid concern over safety in South Asia, even though governments have not issued travel warnings discouraging travel to Bhutan.

"Almost every hour we are getting phone calls or e-mails with people cancelling their bookings," one tour operator in Thimphu said.

State carrier Druk Air said 80 per cent of cancellations have come from US citizens, with the rest divided almost evenly between Europeans and Japanese.

The slide affects hundreds of workers dependent on tourists, such as guides, crafts sellers and transport operators.

20pc of Japanese workers fear job loss

REUTERS, Tokyo

In a reflection of Japan's economic woes and record-high unemployment, nearly one in five Japanese workers fear they will lose their job within a year, the daily Nihon Keizai Shimbun (Nikkei) reported Saturday.

A total of 19.2 per cent of 2,750 people surveyed by the Japan Institute of Labour said they were afraid or slightly afraid that they will become unemployed within a year, up 0.9 of a percentage point from last year's survey, the Nikkei said.

Japan's jobless rate in August was at a post-war high of five per cent for the second month, with the number of people unemployed rising for the fifth straight month, to 3.36 million.

While lifetime employment used to be the norm, job cuts in the thousands are no longer surprising, and some of the nation's largest blue-chip companies have announced big lay-offs.

AFP, New Delhi

Indian Finance Minister Yashwant Sinha said Friday he was preparing a financial blueprint to empower individual government ministries to take investment decisions on their own to speed up development.

"This is my top priority. I have asked (finance) ministry officials to prepare a blueprint for decentralisation," Sinha told reporters.

"Once readied, I will discuss this with the prime minister (Atal Behari Vajpayee) and Cabinet Secretary (T.R. Prasad)."

He said the exercise was aimed at implementing various projects speedily by cutting through layers of bureaucracy, which was otherwise impeding growth.

At present, individual ministries have to seek approval of the finance ministry before going ahead with investments on projects.

A downward slide in the economy, which grew 5.2 per cent in the year to March compared with targeted growth of 6.5 per cent, has caused widespread concern in the industry as well as the government.

Sinha said the economy was

facing "perhaps the most difficult time" and he had asked asset banks and financial institutions to provide funds for the completion of various projects.

Sinha had recently warned the impact of the terror strikes in the United States would be adversely felt on domestic stock markets, oil import costs, foreign investments and already declining exports.

The government is expected to unveil a contingency package soon to bolster national economy.

Analysts expect the government to increase public spending in order to stimulate growth.