

## ROK exports slide but trade still in surplus

AFP, Seoul

South Korean exports have slid for 12 straight months, government statistics showed Friday, but the trade balance remained in the black in February due to steeper declines in imports.

The Ministry of Commerce, Industry and Energy said exports fell 16.6 per cent to 11.14 billion dollars last month from a year earlier while imports dropped 17.6 per cent to 10.49 billion dollars over the period.

However the trade surplus was 649 million dollars in February from 178 million dollars in the black a month ago.

The ministry attributed the latest export decline to fewer working days last month due to the three-day Lunar New Year holidays.

South Korea's exports have declined each month for the past 12 months.

But the ministry said the export decrease had been slowing on increasing demand for memory chips, liquid crystal displays and petrochemicals.

It said it expected the country's exports to rebound from the second quarter and increase from the third quarter on rising memory chip and computer prices.

## Manila set to privatise state power producer by June

AFP, Manila

The Philippine government hopes to privatise its debt-ridden state power producer as early as June as part of energy sector reforms, Energy Secretary Vince Perez said Thursday.

Selling parts of the state-owned monopoly National Power Corp., with assets of up to 669 million dollars, is part of reforms by President Gloria Arroyo to overhaul the debt-laden sector.

"It is important that we proceed with privatisation despite perhaps the weak investing market globally," Perez told a media briefing to announce the implementation of the landmark Electric Power Industry Reform Act passed by Congress in June last year.

The law aims to draw more foreign investors into the power sector and spare the country from the prospect of lengthy daily power cuts such as those that crippled the economy almost a decade ago.

# ME steps up economic cooperation with Europe

AFP, Nicosia

Economic cooperation between the Middle East and Europe moved forward this week with the Gulf Cooperation Council (GCC) Tuesday said negotiations would take place in Brussels March 20 and 21 and would be followed by additional contacts at an accelerated pace to reach an agreement on a free trade zone linking the two regional groups.

The joint announcement was made at the end of talks held in the southern Spanish city of Granada between the 15-member EU and the six monarchies making up the GCC.

The two sides did not set a target date for the conclusion of an accord, but GCC officials said they hope it will be signed this year.

The GCC removed a major obstacle to a free trade area with the EU when it decided last December to bring forward, from 2005 to 2003, the creation of a customs union of its members -- Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and the Sultanate of Oman.

The EU is the GCC's principal market and its second supplier after Japan. EU exports to the GCC were last year worth 29 billion euros (25.2 billion dollars), with imports amounting to 22 billion euros, according to the EU.

Another development related to cooperation with Europe was announced on Wednesday in Amman by Jordan's Foreign Minister Marwan Moasher, who said all the EU parliaments have ratified the association agreement with his country.

The ratification opens the door for setting up a free trade zone between Jordan and the EU in 2010. Good news to the region came also from the international commodities markets, where crude oil was on the rise on the back of rumours of a US attack against Iraq.

## Fifth largest Japanese banking group formed

AFP, Tokyo

Japan's Daiwa Bank Holdings Inc. completed a takeover of Asahi Bank Ltd. Friday to create the nation's fifth largest banking group with more than 400 billion dollars in assets.

Asahi, which has been undergoing restructuring, is now under the umbrella of the Osaka-based Daiwa group through a share-swap deal, officials said.

The group has combined assets of 53.6 trillion yen (402 billion dollars), ranking behind Japan's four mega-banks which include Mizuho Holdings Inc and Mitsubishi Tokyo Financial Group Inc.

In September Daiwa group firms and Asahi announced their merger - described by analysts as a marriage of weaklings - and pledged to slash 6,300 jobs by the end of March.

Daiwa Bank and two affiliates formed a holding company in December with the aim of boosting business by concentrating on business in certain regions.

"We took a big step forward with the creation of a super regional bank," Daiwa president Yasuhisa Katsuta said at a ceremony Friday at Daiwa Bank's headquarters in Osaka, 400 kilometers (250 miles) west of Tokyo.

Daiwa Bank Holdings also said

Daiwa Trust and Banking Co., its pension and corporate asset trust banking unit, began operations on Friday.

Ratings agency Standard and Poor's cut its long-term rating for Asahi Bank from BBB-minus to BB-plus, the same as for Daiwa Bank and said the outlook for both lenders was negative.

The New York-based agency said the ratings downgrade reflected its view that "the bank's prolonged asset quality problem may further impair its weakened capital alongside the closer linkage with Daiwa."

"The capitalisation of Asahi and Daiwa is weaker than costs," the agency said in a statement.

The ratings on both banks already "incorporates the potential for government support," given the group's strong market presence, it said.

"However, it is not certain if the government will provide financial support in a timely and effective manner."

"Additional capital injections alone would not resolve the problems of these banks unless they are able to improve their profitability," it said.

## S'pore economy shrinks 2.0pc in 2001, but outlook brighter

AFP, Singapore

Singapore's economy contracted by 2.0 per cent last year, driven down by a slump in external demand, but was expected to return to positive territory in 2002, the government said Thursday.

However, unemployment already at a 15-year-high, would worsen as the city-state emerged from its worst recession since independence in 1965.

The official 2001 gross domestic product (GDP) figure released Thursday, slightly better than the minus 2.2 per cent estimate released last month, was a steep reversal from the 2000 performance which saw sizzling growth of 10 per cent.

"This sharp reversal in growth was primarily due to the slump in external demand, although weak household consumption and business investments also contributed to the contraction," the trade ministry said in a statement.

"All key economic sectors saw lower growth compared to a year ago."

But the export-driven Singapore economy was expected grow 1.0-3.0 per cent this year, riding on the back of an improving global economy.



PHOTO: AFP

Some unemployed protesters pass a sign advertising a dance festival in front of the Ministry of Labour in Buenos Aires Wednesday. Some 600 joined the demonstration demanding jobs and food aid for the unemployed.

# Dollar slips against yen as Japanese shares rise

AFP, Tokyo

The dollar eased against the yen Friday as Japanese share prices clung to gains seen through the week after the introduction of government measures aimed at supporting the stock market, dealers said.

The greenback changed hands at 133.60-62 yen at 5:00 pm (0800 GMT) against 133.63-66 yen in New York and 133.87-90 yen in Tokyo late Thursday.

The dollar is expected to remain exposed to downside risk as foreign investors scramble to cover short positions on Japanese equities, North Pacific Bank foreign exchange manager Toshikazu Shimamura said.

A plan by Japan to fight deflation disappointed observers who said the only significant measures were aimed at supporting weak stock prices by issuing tougher rules to halt short-selling -- the market-depressing act of selling shares you do not own in the hope of buying them back later at a lower price.

The stricter regulations have forced speculators to buy back shares, pushing the equity market sharply higher.

The Nikkei-225 average of Tokyo's stock exchange ended

Friday up 2.1 per cent at 10,812.0 points -- its highest close since January 7.

"In addition, continued capital gains saturation is still capping the top-side of the dollar, although the volume itself has already peaked," Shimamura said.

Uncertainty over US capital markets despite the release of positive economic data may also weigh on the top-side of the dollar, dealers said.

Profit-taking also pressured the US unit after a series of key announcements positive for the currency, dealers said.

The US economy grew 1.4 per cent in the fourth quarter, stronger than the 1.1 per cent analysts projected, although the implications for the dollar/yen were double-edged.

"The recovery in the US economy will effect the Japanese trade surplus and exporters' corporate profit, helping stock prices," said Koji Fukaya, chief currency analyst at Bank of Tokyo-Mitsubishi.

Meanwhile, the euro bought 0.8672-74 dollars at 5:00 pm, against 0.8686-90 dollars in New York and 0.8647-50 dollars in Tokyo late Thursday.

Against the yen, the euro was quoted at 115.84 around 5:27 pm, compared with 116.16 in New York

and 115.63 in Tokyo Thursday afternoon. In the euro was rangebound against the dollar due to concerns over the prospects of the economic performance in the euro-zone, together with a lack of market confidence in the currency, dealers said.

"People are still hesitant to buy into the euro by force due to a lack of confidence in this currency, with all excitement already having faded," Shimamura said.

"It seems to take some time before they can regain any strong confidence in this currency," he added.

A dealer with BNP Paribas in Singapore said there could be some consolidation in the market, but added: "I feel that the US dollar may rise again after a correction".

In late Singapore trade, the dollar was at 1,324.70 South Korean won up from 1,323.95 Thursday.

But it was down against other regional currencies at 10,130 Indonesian rupiah from 10,163.50, 51.162 Philippine pesos from 51.235, 1.8314 Singapore dollars from 1.8340, 43.675 Thai baht from 43.72, and 35.093 Taiwan dollars from 35.111.

## Malaysian govt raises stake in Proton

AFP, Kuala Lumpur

The Malaysian government has emerged as the controlling shareholder in national carmaker Proton after acquiring a 15.6 per cent stake in a move seen as a precursor to consolidation in the automotive industry.

In a statement late Thursday, national oil company Petronas announced a share swap which would lift the stake of the government's investment arm Khazanah Nasional Bhd. in Perusahaan Otomobil Nasional Bhd. (Proton) to 32.3 per cent.

Petronas will sell 84.71 million Proton shares at 7.87 ringgit (two dollars) each to Khazanah, in return for a 24.4 per cent stake in Putrajaya Holdings, developer of the new federal government administrative 'eire south of the capital.

"Petronas will remain a shareholder of Proton with a reduced interest of 11.8 per cent and will continue to provide the necessary support to Proton especially in the areas of engineering and technological resources," the statement said.

Friday's Business Times said the move was connected to the reduction of tariff protection for the domestic auto industry under ASEAN Free Trade Area (AFTA) and World Trade Organisation rules.

## Japan's slow bad loan disposal concerns Bush

AFP, Tokyo

US President George W. Bush has expressed strong concern over the slow pace of bad loan disposals in Japan, a report said Thursday.

The US leader made the remark in a confidential letter to Japanese Prime Minister Junichiro Koizumi on January 17, ahead of a visit to Japan in mid-February, the Asahi Shimbun said in a story from Washington.

According to the daily, Bush said in the letter he felt strong concern that non-performing loans held by banks and idle assets at other companies had not been sold in the market earlier.

If Japan took swift action, it would be a signal to the world that it is seriously moving towards structural reforms and economic recovery, he said.