US economic index flat in February

AFP, *Washington*

The Conference Board said Thursday its closely watched index of leading economic indicators was flat in February, but maintained that the US economy is nonetheless "firmly in recovery."

The index of leading economic indicators -- a basket of economic data seen as a gauge of future economic activity -- was unchanged after fourth straight monthly rises, the business research group said.

The report was in line with expectations on Wall Street.

Conference Board economist Ken Goldstein said that although the index did not rise, the trend shows "the US economy has quickly turned from recession and is now firmly in recovery."

The index for January was revised upward to show a 0.8 per cent rise after an initial report of a 0.6 per cent increase.

BMW to set up Asian office in Malaysia

AFP, *Kuala Lumpur*

German car maker BMW has decided to set up its Asian regional office in Malaysia, Prime Minister Mahathir Mohamad said.

Part of the company's regional activities would be sited in the new township of Cyberjaya, south of the capital, and its spare parts would be shipped through the Tanjung Pelepas port in southern Johor state, he was quoted by Friday's New Straits Times as saying.

The premier, who had earlier visited the BMW plant in Munich, said at the end of a three day visit to Germany that the carmaker had submitted its application and it was now "just waiting for my approval."

"It's a welcome project from a company as big as BMW," he added.

Trade Minister Rafidah Aziz was quoted as saying that BMW was "seriously looking" at benefits from the ASEAN Free Trade Area (AFTA).

"BMW's decision is a recognition of Malaysia's strategic position in ASEAN and beyond. We have the backup facilities and supporting industries. We can expect more spin-offs from the project," she said.

Russia overtakes Saudi Arabia as largest oil producer: IEA

Potential long-term challenge for OPEC

AFP, *Moscow*

Russia has overtaken Saudi Arabia as the world's number one oil producer for the first time since the 1980s, highlighting the potential long-term challenge the country represents to the mainly Arab oil cartel OPEC.

Russia pumped 7.28 million barrels of oil a day in February, compared to Saudi Arabia's 7.19 million barrels per day, according to statistics just released by the Paris-based International Energy Agency (IEA).

The two countries were neck and neck the month before.

Russia may not hold onto its position at the top of the table for long, with the Saudi oil kingpin able to boost its production by up to 50 per cent and Russian oil firms currently pumping near full capacity.

But the 11-member Organisation of Oil Exporting Countries, which has been locked in a battle of wills with Russia since late last year to get it to support global oil prices by cutting exports, has reason to be nervous.

"If Russia starts competing with OPEC and escalates its harsh rhetoric, we'll end up losing and getting in a price war that will be really harmful for everyone," said a source at the organisation's Vienna headquarters.

"Cooperation is the key, not confrontation," the OPEC official added, speaking on condition of anonymity.

The lavish attention paid by OPEC to Moscow in recent months, with a succession of top officials from the powerful cartel descending on the Russian capital to persuade Russia of the benefits of continued cooperation, shows the country's new-found muscle.

For the moment, the pact forged with OPEC committing Russia to skim 150,000 barrels a day from its exports, which Moscow this week extended until the end of June, has tied the Russians' hands.

But the export restriction has produced a glut of oil on the domestic market this year, driving prices down to a mere 4.25 dollars per barrel and starving Russian oil giants of cash to expand their production capacity.

"Saudi Arabia can step up output if it wants to, while Russia can step it up only if continues investing," Stephen O'Sullivan from UFG brokerage in Moscow commented.

"Investment requires profits and cashflow, elements which are under threat," he added.

While Saudi Arabia exports almost all the oil it produces, more than half of Russia's crude is sold on the domestic market, mainly because the state pipeline monopoly Transneft, has not expanded as fast as production has.

Russian exports amount to just three million barrels a day, compared to six million barrels for Saudi Arabia.

Moreover, the current Saudi oil output is particularly low because OPEC members slashed production to support world prices after the September 11 attacks and the resulting global economic downturn.

In 2000 the kingdom's production was eight million barrels per day, down from a high of 10 million barrels in the past.

But Russia's success in overtaking Saudi Arabia in output is likely to be followed by continued expansion of the Russian share of the global oil market.

Such a development would have been "almost unimaginable" two years ago when the sector was still in the doldrums following the Soviet Union's collapse and Russian oil giants were milking cash to finance acquisitions elsewhere and spirit money abroad, said O'Sullivan.

Providing investment continues to flow into the industry, in the next few decades Russian oil production could easily reach nine million barrels a day, according to Stephen Dashevsky from ATON finance house.

"Production capacity should grow and Transneft is actively building new transport infrastructure as well," he said.

Exports are likely to increase sharply to the European Union, Russia's major market, which has agreed to help Moscow develop its oil and gas reserves in return for a long-term energy supply commitment.

Russian oil exports to Asia meanwhile are set to rise in the next decade with the development of oilfields in Eastern Siberia and Sakhalin Island in the Russian Far East.

And the United States, the world's largest oil consumer, may begin to seriously import Russian oil to reduce dependency on the volatile Middle East, although transport costs currently make this uneconomic.

PHOTO: **MIDAS**

Photo shows participants and facilitators of a training course on small business planning with Abdul Karim (sitting 4th from right), Managing Director of MIDAS, and Md Shafiqur Rahman (sitting 5th from right), General Manager (Programmes), MIDAS, in the city recently.

PHOTO: **AFP**

Nepalese Prime Minister Sher Bahadur Deuba (C) shakes hands with Chairman-elect of Confederation of Indian Industry (CII) Jagdish Khattar (R) and Vice President of Federation of Indian Chambers of Commerce and Industry (FICCI) Y.K. Modi (L) during a business meeting in New Delhi yesterday. Prime Minister Sher Bahadur Deuba called upon Indian industry leaders to help remove a massive trade imbalance while pledging to strengthen business cooperation in strategic sectors.

Swiss Nat'l Bank leaves rate unchanged

AFP, *Zurich*

The Swiss National Bank said Thursday it would leave its key three-month Libor target range unchanged at 1.25-2.25 per cent.

The bank said it was maintaining the rate band, its main monetary policy instrument, because there was a less risk now that the Swiss economy would continue to weaken and because the world economy was beginning to show signs of recovery.

Swiss inflation probably would shrink further, it said, towards zero growth in the second quarter.

Economic growth for the full year would come in around one per cent, it said.

Japan, ROK launch free trade study

AFP, *Seoul*

The South Korean and Japanese leaders on Friday launched a study into setting up a free trade zone, but analysts warned the single market dream was a long way off.

South Korean President Kim Dae-Jung and Japanese Prime Minister Junichiro Koizumi announced the official launch of the joint government study after a summit.

Industrialists in the two countries have been pressing for moves toward a joint market with 170 million consumers and gross domestic product totalling some five trillion dollars.

"We confirmed the launch of a study group comprising government officials, business leaders and academics," Kim Dae-Jung told a joint press conference with Koizumi.

Koizumi, who first proposed the free trade agreement (FTA) study, said in a later speech that "Japan and South Korea have the potential to become a huge single economic zone."

Stronger ties between the rival neighbours are important after China last year agreed with the Association of Southeast Asian Nations to create the world's most populous free trade bloc within 10 years, covering two billion consumers.

South Korea is Japan's third largest trading partner after the United States and China.

Japan's exports of goods and services to South Korea totalled 3,072 billion yen (23 billion dollars) in 2001 against imports of 2,088 billion yen, according to Japanese statistics.

But neither leader set even a timetable for completing an FTA accord and expectations of success are low.

"I am afraid this will end in just a slogan," said Park Seung-Rok, a senior analyst of the Korean Economic Research Institute in Seoul.

Park said it would be difficult to reach agreement between Japanese and South Korean businesses, particularly the auto and steel industry, whose interests would clash.

MIDAS training course ends

A week-long training course on small business planning concluded at MIDAS head office in the city recently, says a press release.

The course was designed on a German model called Competency-based Economies through Formation of Enterprise (CEFE), which has been successfully implemented in more than 50 countries in Asia, Africa, South America and Europe.

The course will enable the participants to identify and select viable business projects, prepare bankable business plans covering management, marketing and production aspects, analyse profit and loss and set up and expand business ventures.

Eighteen potential and existing entrepreneurs participated in the training course and prepared individual business plans on their selected business matching their personal ability and expertise.

Abdul Karim, Managing Director of MIDAS, was present at the closing ceremony and distributed certificates among the participants.

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