

# New data show dismal Japanese growth

## No cause for optimism, says minister

AFP, Tokyo

Japan's burst of growth in the first quarter may be short-lived, a key measure of economic activity suggested Friday amid government warnings the fragile recovery could stall.

"There are fears our country's economy could stall," Economy, Trade and Industry Minister Takeo Hiranuma told a news conference as his ministry released weak data and share prices continued to fall.

The benchmark Nikkei 225 index lost 2.4 per cent on Friday and Hiranuma described the Tokyo share market being in "a very severe situation".

Hiranuma said there was no cause for optimism over economic prospects.

The ministry said the April activity index of all industries fell 1.3 per

cent from the previous month, reversing a revised rise of 1.2 per cent in March.

The index fell 2.5 per cent from a year earlier after a 4.2 per cent drop in March, extending its losing streak to five straight months.

The tertiary industries index, covering the service sector, fell 1.5 per cent from March, worse than economists' consensus of a 1.0 per cent fall and a turnaround from a rise of 1.3 per cent the previous month.

Dresdner Kleinwort Wasserstein economist Shuji Shirota said the new data reaffirmed expectations of weak economic growth in the second quarter after an export-led 1.4 per cent rise in the March quarter.

"Changes in the index of industrial activity for all industries should be theoretically equivalent to changes in real GDP. This was the first negative result in three

months," said Shirota.

Economic growth in the June quarter was likely to be weak, he said.

Consumer spending, particularly by single-person households, was likely to show a decline in the three months to June and he noted the rebound in the telecoms sector appeared to have ended.

"Activity in the transport and communications sector fell 4.2 per cent month-on-month, marking the first decline in five months. This is mainly due to the fact that activity in the mobile telecoms sector is running out of steam."

UBS Warburg economist Ayako Mitsui said while industrial production had bottomed out in year-on-year terms, construction and service industries were yet to show a pick up.

## Russian Duma bans foreigners from buying farmland

AFP, Moscow

The lower house of parliament barred foreigners from Friday from buying farmland as Russia moved a step closer to legalizing private ownership of agricultural land for the first time since the 1917 Communist revolution.

The State Duma approved the land code amendment in a 366-6 vote with two abstentions, and was expected later Friday to vote through a separate amendment allowing foreign entities and individuals to lease Russian agricultural land for up to 49 years.

The code must still be voted on in a third and final reading before moving on to the Federation Council upper house -- where approval is widely expected -- before landing on President Vladimir Putin's desk for his signature.

## ROK sees 7pc growth in 2nd quarter

AFP, Seoul

South Korea's top economic official on Friday forecast the country's economy would grow up to seven per cent year-on-year in the second quarter to June on robust demand at home and exports.

"The second quarter (gross domestic product or GDP) growth is expected to reach six to seven per cent," Finance and Economy Minister Jeon Yun-Churl told a seminar.

The forecast was up from the 5.7 per cent GDP growth in the first quarter, reflecting the strong domestic consumption and recovering exports, he said.

Bank of Korea governor Park Seung forecast GDP to grow at a range of 6.0-7.0 per cent this year, up from his prediction last month of 5.7 per cent.

"Since the economy hit bottom, it has been on a solid growth path," Park said during an interview with state-run KBS radio.

The central bank chief said he expected the country's exports, which began recovering from April, to grow by about 10 per cent in June.

Exports and investments would enter a full-fledged recovery in the second half of this year, Park said.



Thousands of protesters demonstrate in Madrid during a general strike called by the two leading Spanish trade unions Thursday on the eve of a European summit in Seville.

# General strike, mass protests in Spain on eve of EU summit

AFP, Madrid

Millions of Spanish workers went on strike and hundreds of thousands marched in the country's main cities in a display of trade-union might timed to greet European Union leaders gathering for a summit in Seville.

Police in Barcelona said 400,000 people had marched there, while union leaders in Madrid said the turn-out there was 200,000.

In the southern city of Seville, location of Friday and Saturday's EU summit, union officials said up to 100,000 people had held a peaceful protest.

At least 63 strikers were arrested nationwide in clashes with police, mostly in Madrid, the interior ministry said.

While the huge Barcelona protest passed off in a peaceful manner, police clashed with young skinheads on the fringes of the demonstration.

In other incidents in the country Thursday, a 46 year-old police inspector also died of a heart attack while supervising his men at a picket line outside a Madrid supermarket.

The 24-hour stoppage had been called by the country's leading unions, the UGT and CCOO, a day before the EU summit, which is due to crown Spain's six-month stint as EU president.

European union leaders warned Thursday that the strike may spread to other EU countries because the effects of the unemployment reform proposal could spread beyond Spain's borders.

"The strike today has an importance that spreads outside the Spanish national domain," said Emilio Gavaglio, head of the European Trade Union Confederation.

"The workers are responding to the Spanish government, but also to the attempts to change Europe's social policies," he said.

Gavaglio's remarks came amid similar protests in Portugal, where the country's main trade-union body organised demonstrations in more than 30 locations across the country to coincide with the Spanish strikes.

Thousands of people were expected to march from the river-front commercial centre of Lisbon late Thursday to the steps of parlia-

ment in a show of force against reforms proposed by Portugal's new centre-right government.

And in Italy, workers downed tools in the first of a series of phased regional strikes against government plans to reform the country's labour laws.

Around 5,000 strikers marched in the northern city of Bergamo as the strike took hold in the industrial heartland of Lombardy and in the southern Campania region around Naples.

Spain's first general strike since the conservatives came to power six years ago caused disruption in industry, transport, trade and the civil service, despite government claims that things were practically normal.

Views differed sharply on strike participation. The government insisted life was continuing as usual while unionists said the labour action was a "total success."

Economics Minister Rodrigo Rato said there had been only "weak participation," with 13 to 14 per cent walking out in the public sector and five to 10 per cent in the financial sector.

## Don't threaten us over Manulife, Indonesian VP tells Canada

AFP, Jakarta

Canada should let Indonesia's legal process take its course and not resort to threats over a controversial bankruptcy ruling against the local unit of insurance giant Manulife, Indonesia's vice-president said Friday.

"I think Canada should not (over-react). We, you know, have a legal process which is in effect... but Canada should not try threatening us," Hamzah Haz told journalists at his palace.

"We know that as humans nobody is perfect," he said.

Haz was reacting to a newspaper report which quoted Canada's foreign minister as saying his country will look at all options, including sanctions, after Indonesia's Finance Minister Budiono said this week his government would not get involved in the dispute.

## IMF, US welcome Turkish action on bank

AFP, Washington

The United States and IMF separately welcomed a decision by the Turkish authorities to place a failing mid-sized bank, Pamukbank, in state receivership.

Turkey's Bank Regulation and Supervision Agency (BRSA) made the decision Wednesday as it brought to an end a review of private bank recapitalization needs, a key part of an IMF-agreed, three-year economic recovery programme.

"These actions are critical steps in the plan to recapitalize the private banking system and they demonstrate the on-going commitment of the Turkish authorities to implement the economic program," Treasury Undersecretary for international affairs John Taylor said in a statement released late the same day.

"Turkey's reform measures are strengthening the prospects for economic growth."

The International Monetary Fund issued a separate statement saying the "decisive action" would strengthen the Turkish banking system and the real economy.

## US SEC for new oversight board to monitor accounting cos

AFP, Washington

The US Securities and Exchange Commission proposed the creation of a new private-sector board Thursday to regulate the accounting industry and help restore investor confidence, but the plan immediately came under fire.

In a 3-0 vote, SEC commissioners proposed the new board -- the Public Accountability Board (PAB) -- and will allow a 60-day period of public comment before finalizing its establishment.

SEC Chairman Harvey Pitt has indicated that the SEC will step aside if Congress passes its own legislation to beef up oversight of the troubled accountancy sector; but if Congress fails to pass its legislation, the SEC's new board will be ready for implementation by year's end.

Senate Majority Leader Tom Daschle, however, called the proposed board "a toothless tiger that has no real merit."

## Russia, WTO at odds on accession talks

AFP, Geneva

Russia and members of the World Trade Organisation (WTO) remained at loggerheads on key issues hampering the former super-power's accession to the WTO, officials said here Thursday after three days of talks.

Several countries said there were a wide range of disagreements, especially on opening up access to services, banking, insurance and securities, and telecommunications, as well as on some agricultural and industrial products.

Russia's deputy trade minister and chief negotiator, Maxim Medvedkov, acknowledged Moscow was digging in its heels on those issues after the meeting of the WTO's working panel on Russian accession.

"We wish to join the WTO but we are not prepared to pay a price that is excessive, we do not want to ruin sectors of the Russian economy," Medvedkov told journalists.

EU Commission trade negotiator Herve Jouanjan accused Russia of

backtracking on the level of foreign participation in telecoms companies.

"We have a feeling that they have taken a few elements in the drawer but have not attacked the real substance," he said, indicating that the Russians needed to dig deeper into their pockets.

The Russia working panel involves some 70 WTO members, including China, who have a close interest in negotiating the conditions of Russia's membership.

"After three days of meetings there is a feeling of progress, but there is no acceleration of the work," a trade source said.

"The chairman of the working party encouraged Russia to accelerate its bilateral meetings," he added.

Medvedkov said Russian officials would be embarking on a tour of major WTO members in the coming month, including meetings with trade officials in the United States and Canada in early July, followed by the European Union and others.

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