

Dispute settlement at WTO

Developing states seek freer hand to hit back at rich nations

REUTERS, Geneva

Developing countries in the World Trade Organisation (WTO) Tuesday sought as freer hand to hit back at rich states in trade rows, saying current rules were stacked against them.

All states can ask the WTO for permission to impose sanctions on a fellow member who, after losing a trade dispute in the Geneva-based body, fails to remedy the problem quickly.

But developing states say that poorer countries are deterred from retaliating against richer and stronger trade partners by the high legal costs involved and by limits imposed

by the WTO on how sanctions can be levied.

"The tremendous imbalance in the trade relations between developed and developing countries places severe constraints on the ability of developing countries to exercise their rights," said Pakistan's envoy to the world trade body.

Pakistan, speaking on behalf of eight other countries, including India, Cuba and Malaysia, said rich states that lost a case at the WTO should be forced to pay part of the plaintiff's costs.

The proposal was put to a session of a special negotiating committee studying reform of the WTO's disputes settlement

body (DSB), its trade referee.

Review of the DSB is part of sweeping negotiations to further free up world trade, launched in the Qatari capital, Doha, last November.

Currently, WTO states must impose sanctions on a similar area of the economy to that triggering the initial dispute -- whether it be goods or financial services. Exceptions can be granted, but negotiating them takes time.

In the biggest-ever case involving retaliation, the European Union was given the go-ahead in August for sanctions worth \$4.0 billion a year on the United States in a dispute

over tax laws.

But developing countries say the rules are too restrictive and prevent poorer states from defending their interests.

They cite the case of Ecuador which won the right to impose over \$200 million in punitive duties against the European Union in a row over bananas.

The south American country never took up the option because it said that by making imports from the EU more expensive, it would simply harm itself and do little damage to the 15-state economic bloc.

Pakistan said that once the WTO had given the green light

to retaliate, a developing country should be given full freedom to decide where to strike back.

For a developing country heavily reliant on food imports, there was no point in levying sanctions on an exporter of farm goods." In such situations, ... (Such sanctions) would not be practical or effective," it said.

There was no immediate reaction from rich states to the plan, one of dozens of proposed reforms to the dispute settlements system which is hailed by some officials as the "jewel in the crown" of the eight-year-old trade body.

Bali blasts another terror tax on economy: IMF

REUTERS, Singapore

Deadly attacks like the weekend's bomb blasts in Bali are akin to a "terror tax" on a global economy that is already facing a raft of risks, the International Monetary Fund (IMF) said yesterday.

Kenneth Rogoff, chief economist at the Washington-based IMF, said the bombings on the Indonesian island clearly dealt a blow to Asia's economy but it was highly speculative at best to judge how serious it would be.

"It's plausible that the economic effects on growth next year in the region will be limited, but that outcome is of course sensitive to how the security situation evolves, how policy responds and above all what the effects are on business and consumer confidence, domestically and in the rest of the world," Rogoff told a news conference.

But by raising costs for insurance, security and protection, Rogoff said attacks like those in Bali and those on the United States on September 11, 2001, at the very least blunted the benefits of positive trends in productivity and technology.

"One can think of there being a terror tax on the global economy," Rogoff said.

As with the attacks on the United States and the earthquake that

devastated the Japanese city of Kobe in 1995, he said the direct economic consequences of the Bali blasts, which killed more than 180 people, could be fairly narrow and short-lived.

Indonesia had a broad economic base and had made notable progress on a number of policy fronts recently. But all would depend on the secondary impact on confidence.

"Economic analysis is ill-equipped to come to grips with the human tragedy of terrorist attacks where consequences for our sense of safety, our sense of well-being, go infinitely beyond anything that can be captured in numbers," Rogoff said.

"Overall, recognising the great uncertainty and also that this comes at a time when the global recovery is tepid, with many risks on the downside, the appropriate policy response is to remain calm," he added.

Rogoff said he was cautiously optimistic about the world economy but placed the emphasis on caution rather than optimism.

The outlook for Latin America had seriously deteriorated in recent months, while Asia faced substantial risks, not least because of the prospect of a subdued recovery in the industrial countries that are the main buyers of the region's exports.

In the United States, Rogoff said investors' extreme reluctance to take risks meant a further decline on Wall Street could not be excluded, even though price-earnings ratios were now in line with the average of the past 15 years.

Domestic demand in the euro zone was growing much less than gross domestic product, underscoring the need for sweeping labour market and other structural reforms to complement the European Central Bank's appropriate bias toward easier monetary policy.

Rogoff said the case for further monetary easing in Japan was compelling, but he acknowledged the risks that inflation could spin out of control and the yen fall too far if the Bank of Japan succeeded in crushing deflation, now in its fourth year.

That being so, Rogoff said the rest of the world, especially the major industrial countries, should be ready to help Japan by undertaking a modest reflation of their economies to support world demand and offset any slide in the yen.

"This level of cooperation would be extraordinary, but, certainly, ending Japan's 10-year series of recessions and prolonged deflation would also be extraordinary," he said.

China unveils ambitious plan for farmers' pensions

AFP, Beijing

China, facing a spiralling crisis of rural poverty, unveiled a radical proposal Tuesday to give tens of millions of farmers individual pension schemes run by professional fund managers.

The new system would be completely separate from the central social security system and would not require any state money, just approval through government policies, the official China Daily newspaper said.

The planned national scheme would "transform the lives of China's retired agricultural workers", said one of its devisers, Yang Yansui of the Centre for Employment and Security at Beijing's elite Tsinghua University.

Farmers would pay contributions into a collective fund throughout their working lives, giving them sufficient money for retirement by the time they reach 60, he told the newspaper.

The money would be placed by fund managers in "investments with high profits", he added, not saying whether these would additionally be high-risk schemes.

"We appeal for no money from the government, but policies," he said.

China's already limited social security system makes no provision for rural people, leaving those in retirement to rely on the assistance of their families.

However radical the new scheme, it will bring no relief to tens of millions of already middle-aged farmers facing potential poverty who will have no time to build up pension funds.

Around three-quarters of China's 1.3 billion people live in rural areas and their incomes are rapidly slipping further behind those of city-dwellers, making it difficult for them to keep up even modest monthly payments.

StanChart to proceed with dual listing on HK bourse

AFP, Hong Kong

British-based bank Standard Chartered said Tuesday it will proceed with a dual primary listing in Hong Kong next week.

The bank said in a statement that the listing on the Stock Exchange of Hong Kong would be accompanied by an offer of new shares -- consisting of a Hong Kong public offer and an institutional offer, to be launched on October 21.

It said the size of the offer will not be more than five per cent of the total issued share capital of the company.

"This is the first time a major London listed company has launched a dual listing in Hong Kong," said Standard Chartered's group chairman Sir Patrick Gillam.

"This demonstrates our strong commitment to Hong Kong, which is our largest market," he said, adding "we expect this listing will help broaden our shareholder base in Asia."

Details of the Hong Kong public offer are scheduled to be made available to investors through a prospectus and application forms which will be available from the launch date, the bank said.

Standard Chartered said it expects a "sizeable portion of the share offer" to be made available to Hong Kong retail investors in a bid to encourage retail participation.

Goldman Sachs will act as the bookrunner and joint lead manager of the institutional offer and sponsor of the Hong Kong public offer.

Cazenove Asia will act as the joint lead manager of the institutional offer and co-sponsor of the Hong Kong public offer.



Visitors walk around the 8-meter tall Singaporean icon, the Merlion at the Singapore River on Sunday. Barely months after emerging from its worst recession, Singapore is staring at the possibility of sliding back to the dumps after third quarter data showed the economic rebound is faltering.

ROK central bank sees 6.3pc growth

AFP, Seoul

South Korea's central bank said Tuesday that third quarter to September gross domestic product (GDP) growth was expected to be similar to the second quarter's 6.3 per cent year-on-year rise.

The estimate by the Bank of Korea (BoK) was lower than its own forecast of 6.7 per cent for the third quarter made in early July.

But it said the economy was staying on course thanks to strong domestic consumption and exports as well as robust business activity in both manufacturing and service.

"GDP growth rate is believed to be similar to 6.3 per cent posted in the second quarter," the bank said in a statement.

The statement came after a meeting between BoK governor Park Seung and heads of 10 major banks to discuss the economy and financial markets.

It warned, however, that inflationary pressure was building up because of wage hikes, rising real estate prices and public utility charges due next year.

It also warned any extended war between the United States and Iraq would have a negative impact on the country's growth, inflation and current account.

The country's current account surplus next year is expected to be smaller than this year's estimate of five billion dollars because of a growing deficit in service account including expenditures on overseas trips.

Bankruptcies in Japan hit record high

AFP, Tokyo

The number of corporate bankruptcies in Japan over the six months to September came to 9,642 -- the fourth highest first-half level since World War II, a research firm said Tuesday.

But the amount was down 0.2 per cent from a year earlier with liabilities for March to September totaling 6,144.93 billion yen (49.6 billion dollars), the fifth worst post-war figure but a drop of 15.2 per cent year-on-year, Teikoku Databank said.

"Although the number of bankruptcy cases has shown some volatility, the number of deflation-induced bankruptcies is still rising," the research agency said in a statement.

"With many major firms failing, the liabilities have been inflated." Of the total, 7,363 bankruptcies or 76.4 per cent were attributed to the weak economy.

Some 1,514 companies failed in September alone, down 3.4 per cent from a year ago, Teikoku Databank said.

The liabilities of the collapsed companies during the month fell 72.7 per cent to 817.4 billion yen, it said.

Riyadh must hug open markets for stronger ties, says US

AFP, Riyadh

Saudi Arabia must commit itself to the rule of law, open markets and pluralism to build a stronger post-9/11 relationship with the United States, a top US official said here Tuesday.

"We have emerged ... with a renewed commitment to building a strong and healthy relationship in the wake of the shock of September 11," said Alan Larson, undersecretary at the US State Department for economic, business and agricultural affairs.

"Part of a stronger relationship will have to include a greater commitment to openness and transparency in the relationship," Larson said in an address to the American Businessmen's Group of Riyadh.

The United States will not "impose our views or values on anyone, but we do believe that a commitment to human rights, rule of law, open markets and pluralism can help this region to achieve its full potential," he said.

Relations between close allies

Riyadh and Washington have strained since the September 11, 2001 terror attacks, with the two nations engaged in a tit-for-tat war of words.

US exports to Saudi Arabia dropped by one third during the first half of 2002 compared to the same period last year. Saudi exports to the United States also declined.

Larson lauded the Saudi role in stabilising the energy market and ensuring continued supply of oil, but urged the kingdom for a "prompt conclusion" of talks with foreign oil companies over three mega gas projects.

"Saudi Arabia has been a linchpin of supply reliability to world oil markets ... It has been a leading voice within the community of petroleum producers for keeping world oil prices moderate and stable."

"A prompt conclusion of ongoing negotiations (with oil firms) will reinforce a message of confidence in Saudi Arabia's investment climate," Larson added.

Talks between Riyadh and eight

foreign firms over a 25-billion-dollar investment in three gas projects have been stalled over differences on profitability and commercial terms.

Larson, who is expected to hold talks with senior Saudi officials, reiterated Washington's satisfaction with Riyadh's anti-terror measures.

"We share a common vision: the elimination of terrorism, root and branch ... American law enforcement agencies have established solid relationships with their Saudi counterparts," he said.

American businessmen at the meeting expressed concern at US policy on visa regulations for Saudi nationals wishing to visit the United States and expressed regret at the failure of senior US officials to condemn anti-Muslim remarks by right-wing Christian figures in Washington.

Larson replied that the State Department was reviewing the delay in granting visas, saying security checks would take less than a month in the future.

Ex-CEO's techno-phobia makes WorldCom probe harder

REUTERS, Philadelphia

Though he ran one of the world's largest Internet companies, former WorldCom Inc. Chief Executive Bernie Ebbers was a well-known technophobe who never used e-mail and rarely touched a computer.

That's making it tough to discover whether he played any role in the alleged falsification of the telecommunications firm's financial records, sources close to the company said.

Former WorldCom executives alleged that orders to falsify financial records came from the highest levels.

But Ebbers left no paper trail, or trace of his daily dealings on com-

puter files. He dealt with a small circle of top executives, rarely meeting directly with underlings. He often held private strategy meetings with former Chief Financial officer Scott Sullivan at which no minutes or records were kept, WorldCom executives said.

"There's no smoking gun e-mail. There's no paper trail. He didn't use e-mail and never took notes. If people had questions for him, they'd fax them to his secretary and he'd call them back or scribble a reply," said one WorldCom executive.

That poses a problem for prosecutors and federal investigators, who have culled many of their findings on the \$7.68 billion accounting scandal from e-mails

among WorldCom's financial team and boxes of documents from the company.

Prosecutors are uncertain if they will have enough evidence to bring charges against Ebbers, but the federal and regulatory investigations continue, the sources said.

"We think Bernie Ebbers is up to his eyeballs in this," Ken Johnson, spokesman for the House Energy & Commerce Committee, said in an interview with Business Week.

The committee is one of several bodies investigating accounting problems at WorldCom and fellow telecommunications firms Qwest Communications International Inc. and Global Crossing Ltd.

WorldCom, which transmits about half of the world's Internet

traffic, said it is cooperating with investigators.

Ebbers' lawyer, Reid Weingarten of Steptoe & Johnson LLP, has said the investigations will uncover "Not a shred of credible evidence that Bernie Ebbers had a thing to do with those (accounting) decisions."

In July, Ebbers, exercising his constitutional right against self-incrimination, refused to answer questions in a hearing before the US House Financial Services Committee.

But he told the congregation at his Easthaven Baptist Church in Mississippi: "I just want you to know you aren't going to church with a crook... no one will find me to have knowingly committed fraud."

Japan PM hints at crisis talks on bank bailout

AFP, Tokyo

Japanese Prime Minister Junichiro Koizumi said Tuesday the government will if necessary hold an emergency meeting to discuss the possible injection of public funds into ailing banks.

"It is natural that, if necessary, the government will hold a crisis meeting. That is the fact of the matter," Koizumi told reporters at his official residence.

He was responding to a question about whether Tokyo would consider bailing out the debt-ridden banking sector with taxpayers' money.

Chief Cabinet Secretary Yasuo

Fukuda also said the government would initiate such talks if required.

"The decision on whether to convene a meeting will be made when there is justifiable evidence. The decision will not be political," he told a news conference.

Japanese banks are struggling to dispose of their non-performing loans -- cited as a root cause of the nation's chronic economic woes -- while a recent slump in the stock market to 19-year lows has battered their equity holdings.

Heizo Takenaka, recently appointed minister of financial affairs, has created a taskforce of academics and businessmen, which is expected to toughen the govern-

ment's assessment of bad loans at banks and accelerate bad loan write-offs.

Takenaka, who is also State Minister for Economic and Fiscal Policy, has said the team's discussions would cover all issues relating to bad debts, including the current stock market slump.

In a separate move to help Japanese lenders, the Bank of Japan announced plans last Friday to spend 2.0 trillion yen (16.1 billion dollars) on buying stocks from banks to help protect their balance sheets as the equity market slumps to new lows and the lenders attempt to get to grips with the bad loans.

War against Iraq to hit world economy: Nobel laureate

AFP, Seoul

A recipient of the 2001 Nobel Prize for Economics, Joseph Stiglitz,

warned Tuesday that a US war against Iraq would have a "very negative" impact on the global economy.

He also accused President George W. Bush of "mismanagement" of the US economy and forcing a global downturn on the rest of the world.

Speaking at the World Knowledge Forum here, Stiglitz said many people hoping for an economic boom from a war on Iraq would be disappointed.

They confuse what happened in World War II with what could happen today, he said. World War II helped the world out of global deflation and had a positive impact on the world economy, he said.

"This current war, if it occurs, is likely to have a high probability of having a very negative impact," he told journalists.

He said the differences between World War II and a possible war

against Iraq was that World War II was a war of total mobilization with huge expenditures.

But a war on Iraq was likely to involve fewer people and less expenditure in terms of the global economic growth.

"The benefit in terms of the economics of that stimulus (from a US-Iraq war) is likely to be more than offset by the adverse effect that uncertainty is having on investment, consumption and the possible adverse effects on oil prices," he said.

"This is a very different kind of situation from World War II. Therefore, (there are) much more downside effects in terms of the global economy," he said.

He criticized the Bush administration for opting for tax cuts over stimulus packages he and other economists advocated to counter the economic downturn which started setting in when Bush took office two years earlier.

"Now I believe quite strongly that the Bush administration has mismanaged economic policy for the

past two years," said Stiglitz, a Columbia University professor.

He said tax cuts benefitted a few rich people while people who really needed the money, including the unemployed, got very little.

Prospects for the US economy remain clouded, he said as state governments face a budget crunch because of reduced revenues which is forcing them to cut expenditure, depressing the US economy further, he said.

"He (Bush) could have done something about that but he chose not to. So in my mind there has been a very serious lack of economic management directed at problems that the US has faced," he said.

He noted that he and other economists had warned of an in-built tendency in the US economy towards slowdown which would not recover quickly unless the it had stimulus.

"And yet they refused to put forward a serious stimulus package. Rather they pushed down this tax cut that was not really acting as adequate stimulus," he said.

US official optimistic about hemispheric trade pact

REUTERS, Miami

The United States is optimistic about forging a hemispheric free trade agreement that will include Brazil but is prepared to negotiate piecemeal with other nations if Brazil opts out, a top US trade official said Tuesday.

"This is a choice for Brazil, it's not a requirement," US Trade Representative Robert Zoellick told a Western Hemisphere business conference sponsored by the Miami Herald. "That's Brazil's decision."

Brazil's leftist presidential candidate Luiz Inacio Lula da Silva, who leads public opinion polls by 30 percentage points ahead of the South American nation's Oct. 27 runoff election, has criticized the proposed Free Trade Area of the Americas agreement as a US "annexation" of the region.

Zoellick disputed that characterization on Monday, calling the trade agreement "an opportunity," not an

annexation. He said he was optimistic about working with Brazil, whomever wins the presidential election.

"We've had an excellent working relationship with the Brazilian government," Zoellick said.

"We want to negotiate with all the democracies of the Americas through the FTAA, but are also prepared to move step-by-step toward free trade if others turn back or simply are not yet ready."

The FTAA would allow goods to move freely among all the Western Hemisphere's democracies -- every nation except communist Cuba.

Zoellick called the agreement "Our greatest goal," and said he remained optimistic it could be negotiated by the end of 2005.

However, he said, "If need be, we'll move step by step. We'll get Chile done, we'll get Central America."

Zoellick notified Congress two weeks ago that the United States

hopes to complete negotiations on a free trade agreement with Chile by the end of the year.

The United States also plans to begin negotiating similar treaties with five Central American nations - Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua -- by the end of the year, he said.

Zoellick said the 1992 North American Free Trade Agreement, which includes Canada, the United States and Mexico, had strengthened Mexico's economy, enabling it to bounce back more quickly from setbacks.

Trade ministers from the 34 nations participating in the FTAA are scheduled to meet on Nov. 1 in Quito, Ecuador. The United States and Brazil, which has the world's ninth-largest economy, will serve as co-chairs.

Zoellick said the United States would offer to host the next ministerial meeting in Miami in 2003.