

Russia okays draft 2004 budget

AFP, Moscow

Russia's lower house of parliament approved the draft 2004 budget Friday by a large majority despite opposition protests that it starved education and other spheres in favour of higher military and security spending.

Deputies in the 450-member State Duma passed the fourth and final reading of the draft budget by 245 votes to 151 with two abstentions.

The budget provides for a surplus of 83.4 billion rubles (2.66 billion dollars), equivalent to 0.5 percent of gross domestic product.

It also for the first time provides for the creation of a stabilisation fund with part of Russia's oil revenues in order to counter oil price volatility.

The measure will now go to the upper house Federation Council for approval before being signed into law by President Vladimir Putin.

Deputy Duma speaker Lyubov Sloboda from the pro-Kremlin United Russia party praised it as "one of the best budgets for years," with more spending on anti-terrorism, the military-industrial sector and social problems.

"Only a strong Russia with a powerful and well-equipped army can be rich and flourishing," the lawmaker said when the measure passed the crucial third reading, adding that the budget was "socially-oriented and balanced."

However, Communist and liberal deputies, mindful of parliamentary elections set for December 7, have criticised the government for spending too little on social programs, agriculture and education.

South Korean economy shows further signs of recovery

AFP, Seoul

South Korean industrial output rose more than expected in October, official data showed Friday in further evidence the country's economy is headed for a recovery.

Industrial output for the month grew 7.4 percent from a year ago as continued strong exports more than offset slow domestic consumption and investment, the National Statistical Office said.

The result comes after a 6.7-percent gain in industrial output in September, which was propelled by stronger exports of semiconductors and automobiles, it said.

"Industrial production gathered growth momentum on brisk exports but consumption and investment remained sluggish," the NSO said.

The market had been expecting growth of about 5.0 percent in October.

"Exports were the main engine for output growth. The missing elements were better consumption and investment," the NSO said.

The industrial output data comes a week after the central Bank of Korea announced the country's economy grew 2.3 percent year-on-year in the September quarter, ending two consecutive quarters of quarter-on-quarter contraction.

Investors welcomed the latest news Friday, sending South Korean share prices 1.85 percent higher by the close, dealers said.

Philippine economy rebounds

Reuters, Manila

The Philippine economy accelerated in the third quarter on a pick-up in the farm sector, but the growth was overshadowed as markets drove the peso to a record low on the prospect of a political novice becoming the country's next president.

The stock market also fell, losing around two percent a day after Moody's Investors Service said it may downgrade the Philippine's debt ratings and as analysts warned that political uncertainty ahead of next May's elections could derail growth.

The government said on Thursday gross domestic product grew a seasonally adjusted 1.7 percent in the third quarter from the April to June period. The growth was driven by a rebound in agriculture, which accounts for a fifth of the economy, after a bumper rice harvest.

Officials tried to douse market fears of an economic slowdown incoming months, saying the rebound in the country's biggest export market the United States and election related spending should support sustained growth.

"I think that these are just initial reactions but the record, as we have seen, establishes the stability of the macroeconomic fundamentals," Raphael Lotilla, deputy director general of the National Economic and Development Authority, told reporters.

Bush decision on steel tariffs seen imminent

REUTERS, Crawford, Texas

Under mounting international pressure, President George W. Bush is expected to announce plans within days to scrap or roll back tariffs on steel imports to head off retaliation from European and Asian trading partners, congressional and industry sources said.

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The White House insists no decisions have been made since the WTO issued a final ruling this month that the tariffs violated international trade rules.

But Bush aides have raised expectations the tariffs will come down, saying they have already served much of their purpose by giving the steel industry time to consolidate operations and become more competitive after a string of bankruptcies.

Aides also point to cost cutting, productivity gains and new union contracts as signs of a stronger steel industry since Bush's March 2002 decision to impose tariffs of up to 30 percent on imported steel.

Steel importers said they are increasingly confident Bush will end the tariffs as early as this weekend -- just days before the European Union was set to make good on threats to retaliate on \$2.2 billion worth of US exports.

"The only question is when," said David Phelps, president of the American Institute for International Steel, which represents steel importers.

Both sides agree Bush's decision is imminent, though it could slip into next week. The full WTO membership is expected to formally adopt the steel ruling on Monday, setting the stage for the EU to raise tariffs on Dec. 6 if Bush does not drop the duties.

To soften the blow to US steel makers, the Bush administration may keep a steel import licensing and monitoring system in place, according to industry sources.

That system requires businesses which import steel products to obtain a license. Advocates call it an "early warning system" against potential surges in steel imports.

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ing to dilute the takeover initiative.

Bolkestein said he was "particularly disappointed" that the takeover directive "had been the victim of bargaining and unholy alliances on subjects totally foreign" such as the EU Common Agricultural Policy or the issue of temporary employment.

"It's an open secret that France and Germany reached an agreement to mutually support each other on the takeover and agriculture dossiers," he said on the sidelines of a ministerial meeting.

He also denounced another deal struck between Germany and Britain, linking support for a weakening of the takeover initiative to the issue of temporary employment.

In the industry ministers' vote, 14 of the bloc's 15 member states voted in favour of a compromise proposed by the EU's Italian presidency which waters down commission proposals aimed at protecting shareholders' rights.

EU Competition Commissioner Frits Bolkestein late Thursday accused France, Germany and Britain of collud-

The EU has been working on a takeover law for 14 years. A previous proposal by Brussels was rejected by the European Parliament in 2001 under pressure from EU heavyweight Germany.

German members of the parliament had been instrumental in the rejection of the vote, saying the proposal would make car giant Volkswagen vulnerable to a hostile takeover.

The latest version proposed by the commission in October last year, which appeared to draw its inspiration from the United States, sought to boost shareholder power in the matter of takeovers.

When he launched the initiative in October 2000, Bolkestein described it as a key element in the drive to make the European Union the most competitive economy in the world by 2010, a central aim agreed at an EU summit in Lisbon three years ago.

World economic stagnation over, US dynamism back: OECD

REUTERS, Paris

Years of stagnation are over for the global economy and a strong economic recovery is well under way in the United States, where the dynamic "animal spirits" of times past are back in action, the OECD said on Wednesday.

In its twice-yearly Economic Outlook, the Organisation for Economic Cooperation and Development predicted a 4.2 percent in the US economy in 2004 after 2.9 percent this year -- compared to a paltry 0.3 percent in 2001 for example.

Japan is poised to pull out of the doldrums with growth of 2.7 percent this year and 1.8 percent in 2004 but the 12-nation euro zone will get off the ground a bit more slowly with growth of 0.5 percent this year and 1.8 percent in 2004, the OECD said.

"We're at last seeing recovery in both the United States and Japan," OECD

chief economist Jean-Philippe Cotis told Reuters in an interview about the report, which he predicted that the main central banks would keep interest rates low for months to come until the rebound was more full-blown.

"In Europe, it's a fledgling recovery and it will need to be carefully nurtured," the report said, warning also that the euro zone and other regions with large public deficits should use the recovery to clean up their public finances.

"Looking further ahead, the most likely scenario for the next two years is one of sustained growth in the United States and progressive recovery in Europe and Japan, in a context of low inflationary pressures and with a gradual reduction in unemployment," the report said.

Notably, the report made little major reference to the war in Iraq and political

instability in the world in general. It added a glum note on jobs for the near future, however.

"Global economic growth is unlikely to be strong enough to make major inroads into unemployment in the very near term."

It predicted a jobless rate declining in the United States to 5.2 percent in 2005 from 6.1 percent this year, and a slight drop in Japan's jobless rate to 5.0 percent in 2005 from 5.3 percent this year. For the euro zone the rate was predicted to rise to 9.0 percent next year from 8.8 percent this year before falling back to 8.7 percent in 2005.

One of the big risks highlighted by the OECD, a free-market forum whose 30 mostly industrialised member countries account for the bulk of world output and wealth, was the large US current account deficit and sliding value of the dollar.

"Under such delicate circumstances, a sudden weakening of the dollar could stifle a fledgling European recovery," it said. "This would exacerbate the unevenness of the global upturn while not doing much to help reduce current account imbalances or tensions in the trade policy arena."

World trade was also starting to pickup, the OECD said.

"Growing imports from non-OECD Asian economies should play an increasingly supportive role in the global recovery," it said. Japan and South Korea are the only two Asian countries that are OECD members.

"Growth is projected to remain rapid in China, at over seven percent," the report said, adding that growth should pick up to near five percent by 2005 in the wider Asian region comprising China, Indonesia, Thailand, Singapore and the Philippines.

Japan's recovery on track despite higher jobless rate

AFP, Tokyo

Japan's economic recovery continues on track as deflationary pressures eased and industrial output kept growing in October despite a slight uptick in the jobless rate, economists said Friday.

Core consumer prices nationwide, excluding those for fresh food, rose in October by 0.1 percent from a year earlier for the first time since April 1998, due largely to a one-off rise in rice prices after an unusually cool summer.

However, core consumer prices in Tokyo in mid-November showed a 0.2 percent fall from both the previous month and a year earlier. The year-on-year rate declined for a record 50th consecutive month.

"Gentle deflation is continuing," Economic Minister Heizo Takenaka told reporters. "Through structural reforms, we want to put Japan on a path toward stable growth and to conquer deflation."

Economists said the uptick in the unemployment rate to 5.2 percent in October from 5.1 percent in September was not too worrisome because it indicates more people are returning to the workforce, looking for jobs.

Japan's worst jobless rate of 5.5 percent was hit in August 2002 and matched in October 2002 and January

this year.

"I think the job-hunting mindset has actually improved," said Hidehiko Fujii, economist at Japan Research Institute.

"Women have probably entered the workforce looking for a job after seeing signs of economic improvement."

The jobless rate for men fell to 5.4 percent from 5.5 percent but for women it rose to 4.9 percent from 4.7, government data showed.

Meanwhile, job offers rose in October to 70 vacancies for every 100 job applicants from 66 in September but spending at households of salaried workers fell 1.1 percent year on year in October.

Fujii of JRI shrugged off the lackluster spending figures, noting salaried households are generally burdened with large mortgages and tuition fees of their children.

Instead, year-end bonuses -- structured as part of salary payments in Japan -- may show whether the current economic recovery is spreading to the average worker, he said.

"If that ends up giving a boost, I think we will finally be able to say the economy is good all around," he said.

Industrial output had been expected to grow 2.8 percent in October.

A trade ministry survey of select manufacturers showed industrial output was expected to rise 3.1 percent in November but fall 0.9 percent in December.

"There's been a striking acceleration in production in recent months," said Richard Jerram, chief economist at ING

China signed over 30 million dollars in aid to Cambodia on Thursday to help rebuild a major highway and assist in the reconstruction of an economy devastated by years of civil war.

Watched by Prime Minister Hun Sen, China's ambassador to Phnom Penh inked an agreement to provide an interest-free loan of 24.1 million dollars for the rebuilding of a road linking northeastern Kratie province with Laos.

"Cambodia is at a very important stage of restoring its infrastructure," ambassador Ning Fukui said. "We hope this aid from China to the Cambodian government will be used effectively to rebuild the country."