

Asian GDP Growing

SINGAPORE, Dec. 20- Robust domestic demand in China and India will help lead non-Japan Asia to strong gross domestic product growth of 7.5 percent next year, investment banker Credit Suisse First Boston (CSFB) said Tuesday, AFP reported.

Improved conditions for exports and the gradual phase-out of monetary tightening across the region will further fuel the growth, CSFB said. It forecast regional growth in gross domestic

product (GDP), the total value of all goods and services produced in the countries, to reach 7.5 percent in 2006 and 7.2 percent in 2007, up from an estimated 7.1 percent growth in 2005.

"In China, GDP is expected to grow to 10.1 percent in 2006 and India is expected to see GDP expansion at 8.5 percent," CSFB said.

China on Tuesday upgraded growth estimates by nearly 17 percent or \$284 billion for 2004, an unprecedented

move that could rank it as the world's fourth-largest economy.

The World Bank welcomed China's upward revision of its gross domestic product (GDP) figures for 2004, saying Tuesday that such a large revision was not "uncommon".

"These new GDP data are a major improvement over the previous ones," said Bert Hofman, chief of the Economics Unit of the World Bank office in Beijing.

"Driving the growth is

an increase in infrastructure and real estate investment spending in China—particularly in second and third tier cities, while at the same time, fiscal and tariff reduction measures have been implemented to boost domestic consumption," CSFB said.

It said there are signs of accelerated investment in India, too, and increasing evidence of consumption growth spreading out from the big cities, aided by migrant worker remittances.

CSFB said the region's

export outlook is also favorable. Global real GDP growth is expected to improve in the first half of 2006, to 6 percent, which it said should be particularly beneficial to Hong Kong and Thailand.

Hong Kong's GDP should grow by 4.4 percent while Thailand's is expected to rise 4.7 percent, the investment banker said. Increasing exports should push Singapore's GDP growth to 6 percent, it said.

"This growth momentum, however, is likely to



Elderly women look at a display in a jewelry store on the busy Nanjing road shopping area, in Shanghai, China on Tuesday. (AFP Photo)

result in an increase in inflation and CSFB fore-

casts inflation at four per-

cent across non-Japan Asia in 2006," it said in a statement.

Hybrid Cars Race Ahead

Toyota Ready to Surpass GM

NEW YORK, Dec. 20- Helped by sky-high fuel prices and celebrity endorsement, US sales of hybrid cars more than doubled in 2005, but it is Japanese rather than home-grown auto makers who are cashing in on the boom, AFP reported.

Hybrid engines powered by electricity and petrol have been around for years. But it took a kick from rocketing gasoline prices to encourage large numbers of Americans to see their fuel-efficient appeal.

Toyota Motor said Tuesday it planned a major boost in output next year, likely pushing the Japanese automaker over ailing General Motors for

the crown of the world's top automaker. Toyota's target is just short of GM's 2005 estimate, a possible sign it wants to avoid a backlash in the United States where Japanese auto sales have soared on the popularity of eco-friendly cars at the expense of their loss-making US rivals.

President Katsuki Watanabe said in his year-end address that Toyota would boost output by nearly 10 percent to some 9.06 million vehicles in 2006 from the 8.25 million expected in 2005. That compares with GM's target of 9.08 million vehicles for 2005.

Toyota began selling the Prius in North America in 2000. It is now the best-selling hybrid in the United States. Up to the end of November, Toyota said it had sold 99,000 Prius cars this year compared to 47,700 over the



A new Toyota Prius is seen at Grossinger Toyota in Lincolnwood, Illinois. (AFP Photo)

same period of 2004.

According to research firm Global Insight, total US sales of hybrids are set to more than double to 200,000 this year and mushroom to 500,000 a year by 2010.

Toyota has led the way with the Prius and the four-by-four Highlander, designed to appeal to Americans' taste for sport utility vehicles (SUVs). Its Japanese rival Honda has three hybrid models and lies second in sales.

US giants General Motors and Ford are now

ramping up their own hybrid production but came late to the game. The Ford Escape Hybrid made its debut in mid-2004 as the first US-made example of the genre.

GM and Ford remained wedded for too long to petrol SUVs and pick-up trucks, whose sales have slumped this year.

An average SUV consumes about 20 liters of petrol over a 100 kilometer trip, compared to a hybrid which will sip just four to five liters of gasoline.

Russia, Ukraine Gas Row Drags On

MOSCOW, Dec. 20- Russia and Ukraine failed on Monday to resolve a dispute over supplies of Russian natural gas that has further strained relations tense since the election of a pro-Western president in Ukraine a year ago, Reuters reported.

Russian negotiators accused Ukraine of failing to make necessary decisions and said time was running out with less than two weeks before a deal was needed on 2006 supplies.

Ukrainian Prime Minister Yuri Yekhanurov said his ex-Soviet state was ready to adopt a market-based scheme to end the deadlock. Both sides, he said, were seeking a "price formula".

The row focuses on plans by state-run monopoly Gazprom to end Russian gas supplies at below market prices—preferential treatment while Kiev was in Moscow's orbit of influence.

"The Ukrainian government delegation virtually refused to take any decision," Gazprom spokesman Sergei Kuprianov told Rossiya state television.

"Scant days are left to the New Year when the existing contract runs out, yet we still do not know how we are to supply gas to Ukraine. Nor do we know on

what basis gas will pass through Ukraine in transit."

Gazprom says it is time to raise the price to international levels and it has threatened to cut supplies to Ukraine from Jan. 1 if a new deal is not signed. This could put Gazprom's supplies to Europe at risk as most pass through Ukraine.

The Russian firm initially said it wanted to raise rates for Ukraine to \$160 per 1,000 cubic meters from \$50. It then signaled it wanted the \$220-\$250 it gets from Western Europe.

Ukrainian Prime Minister Yuri Yekhanurov said Russian Minister Viktor Khristenko and his Ukrainian opposite number Ivan Plachkov were proceeding with talks.

"Unfortunately, neither Naftogaz nor Gazprom has come up with a 'price formula'..." he told reporters at Kiev airport.

"A draft protocol between the two governments has been prepared. We were unable to reach final agreement so ministers Khristenko and Plachkov have been told work out a protocol as soon as possible and present it on behalf of their governments."

Privatization Will Benefit German Gov't

FRANKFURT, Germany, Dec. 20- The German government could pocket up to 14 billion euros (\$17 billion) from the planned privatization of state-owned rail operator Deutsche Bahn, the Financial Times Deutschland reported on Tuesday, AFP reported.

The German transport ministry had commissioned a report to examine the different options for a privatization. And depending on the option chosen, the government

could stand to gain anywhere between four and 14 billion euros, the newspaper said, quoting sources familiar with the report.

From the point of view of German public finances, a legal separation of the rail network and Deutsche Bahn would be the most advantageous, FT Deutschland said.

Deutsche Bahn chief Hartmut Mehdorn has said in the past that the rail operator will be ready to take its first steps on

the stock market next year.

But the previous government under Gerhard Schroeder put the brakes on the privatization plans, arguing that the group was not profitable enough.

Recent press reports have said the new government is set to reach a decision early next year on the conditions for a flotation.

This file photo shows a regional train of German railway company Deutsche Bahn in Berlin. (AFP Photo)



Italy's Top Banker Quits

ROME, Dec. 20-Bank of Italy Governor Antonio Fazio resigned on Monday, finally succumbing to months of intense pressure over allegations of ill practice in a bank takeover scandal that has tarnished Italy's international image, Reuters reported.

Italian politicians and business leaders heaved a collective sigh of relief at the news, which came just as the government was preparing legislation aimed at forcing Fazio from office.

The Bank of Italy said Fazio's resignation would be formally presented to the bank's Superior Council on Tuesday.

"The decision, made autonomously with a clear conscience, was taken to restore calm, in the greater interest of the country and the Bank of Italy," the bank said in a statement.

Fazio's position became untenable after it emerged last week that he was being investigated by Milan prosecutors for suspected insider trading as

part of a wider probe into allegations of rampant fraud at bank Banca Popolare Italiana.

The flurry of events persuaded many supporters, including the influential Roman Catholic Church, to abandon him and encourage his old enemy, Economy Minister Giulio Tremonti, to draw up a bill to force him from his position.

Italian Prime Minister Silvio Berlusconi welcomed Fazio's resignation, saying it was an act "of great responsibility".



Antonio Fazio

He added that he did not know who might take his place.

Bird Flu Could Cost NZ \$21b

US Preparing for Possible Epidemic

WELLINGTON, New Zealand, Dec. 20-A bird flu pandemic could slash up to \$30 billion (21 billion US) from the New Zealand economy in the first year, the government said in a report released Tuesday.

A pandemic—which could take up to 33,000 New Zealand lives according to a Ministry of Health estimate—would devastate trade and tourism, close schools and keep many people away from work, the Treasury report said.

Losses to the economy would amount to 10 to 20 percent of gross domestic product (GDP) in the year a pandemic broke out or 15 to 30 billion dollars, the report said. This could rise to 25 to 40 billion dollars over four years.

"The economy would take several years to recover from a shock of this scale and losses could amount to 15 to 30 percent of annual GDP over the medium term," the treasury said in the report.

The US House of Representatives early on Monday approved \$3.78 billion to begin preparations for a possible avian flu epidemic. The bill would also shield manufacturers of vaccines and drugs from lawsuits during an epidemic.

The legislation, wrapped into an unrelated defense bill, still faces an uncertain fate in the Senate later this week.

The money would be used for stockpiling potential vaccine and drugs, training emergency officials and increasing international surveillance of the flu which has been sweeping through poultry flocks in Asia and more recently into eastern Europe.

The H5N1 bird flu virus has killed more than 70 people in Southeast Asia since 2003. World health bodies have warned that if the virus mutates to allow transmission between humans, millions of people could die.

New Warning Over UK Finances

WASHINGTON, Dec. 20-The International Monetary Fund paid credit Monday to Britain's "remarkable" economic stability but renewed warnings over finance minister Gordon Brown's deteriorating budget, AFP reported.

Following a 12-day mission by IMF experts to Britain, the global body said it foresaw a "well-balanced recovery" with economic growth of about 2.25 percent in 2006 and 2.75 percent in 2007.

Slashing his own growth forecasts earlier this month, Chancellor of the Exchequer Brown forecast 2005 growth of 1.75 percent and in 2006, in the range of 2.0-2.5 percent.

Because of the growth shortfall over the coming two years, Brown also revised upwards his borrowing projections.

The IMF, which angered Brown this year by warning that his deficit projections are too rosy, said there were "substantial" risks to its growth forecasts, including a property downturn in Britain.

Overall, it said, "economic stability in the United Kingdom remains remarkable".

But the IMF reaffirmed its belief that Brown needs to get a better grip on his budget.

"Recent deficits, while not an immediate threat to economic performance in a benign world environment, needed to be reined

in," its mission report said.

The IMF took issue with Brown after he revised the parameters of his so-called "golden rule", which governs borrowing and investment and says the British budget should be balanced over the economic cycle.

It said changes to "the definition of the cycle have proved an unhelpful distraction from the more important considerations of what a sustainable fiscal policy is and how it should be achieved".

Instead, once the current budget is back in balance, Brown should implement a golden rule that is independently overseen by Britain's national audit office, the IMF recommended.

WORLD News In Brief

Transit Strike

New York-- New York transit workers walked off the job for the first time in 25 years on Tuesday, stranding millions of people who rely on the bus and subway system each day.

E.ON Investment

DUESSELDORF--E.ON, the biggest German power supplier, said Tuesday that it will invest 18.6 billion euros (\$22 billion), primarily in property, plant and equipment, over the next three years.

Hungary Budget

BUDAPEST-- The Hungarian parliament Monday approved the country's 2006 budget, which forecasts a public deficit of 4.7 percent of gross domestic product and an economic growth rate of 4.0 percent.

First Trade Union

BAKU-- Workers in Azerbaijan inaugurated on Monday the first trade union at a Western oil company here, weeks after winning pay concessions by going on strike. The move was agreed by representatives of 1,600 employees of the French-Azerbaijani joint venture Bos Shell, an oil rig construction firm working on the BP-led Azeri-Chirag-Gunashli offshore field.

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