Chinese PM: Fight Against Inflation Key

By Jim Yardley
THE NEW YORK TIMES

BEIJING - Chinese Prime Minister Wen Jiabao said Wednesday that curbing fast-rising inflation and preventing economic overheating were China's top fiscal priorities for 2008.

He also announced plans to begin overhauling the bureaucracy by creating so-called superministries that would enable Beijing to exert greater control in carrying out government policy.

Wen's emphasis on inflation reflects public anxiety over rising domestic prices for food and other items. Inflation hit an 11-year high of 7.1 percent in January, exacerbated by recent severe storms in the south, which further increased the price of vegetables. In recent months, government officials have frozen prices on energy as well as other products, including edible oils and some food items.

"The current price hikes and increasing inflationary pressures are the biggest concern of the people," Wen said. He said the government would try to cap inflation at 4.8 percent this year but added that "upward pressure on prices" would continue and that government officials must ensure that the country fends off "significant inflation."

"Governments at all levels must give high priority to keeping prices stable because price stability has a direct bearing on the quality of people's lives," he said, suggesting that more official intervention on pricing could occur this year.

Wen spoke at the Great Hall of the People in what amounts to China's version of a State of the Union speech. His address served as the opening remarks of the annual meeting of the National People's Congress, the Communist Party-controlled legislative session. The 11-day gathering is largely ceremonial, providing lopsided voting margins for policies preapproved by top leaders, but it still is the most significant annual public event on China's political calendar.

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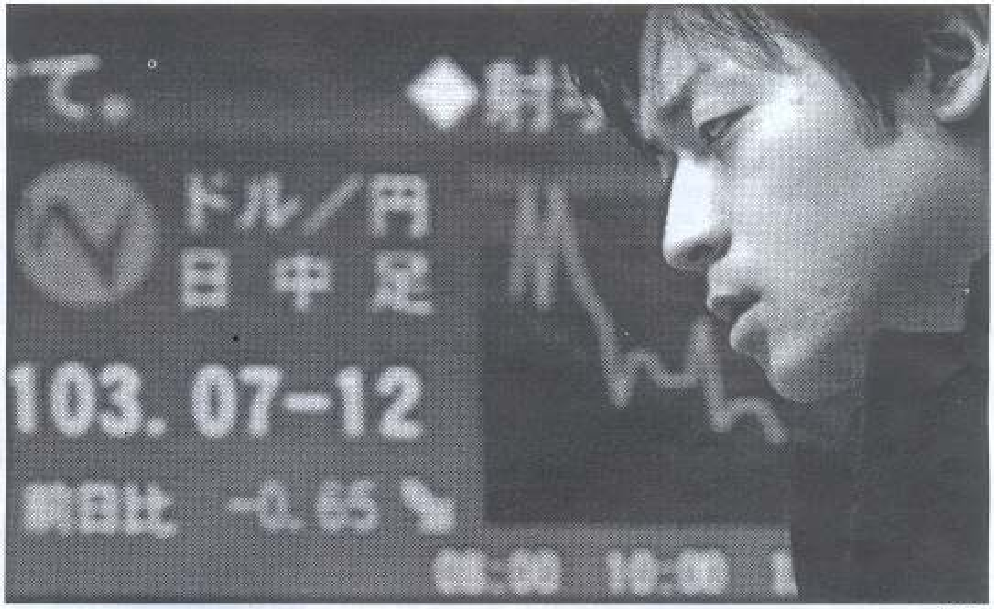

Reuters

A man walks past a board showing the Japanese yen's exchange rate against the US dollar in Tokyo on Monday. The dollar's slide deepened this week, falling to a record low against several currencies as worries about the health of US financial firms and fears of a US recession stoked expectations of aggressive rate cuts.

Struggling Dollar Bringing Riel Down With It

By Stephen Kurczy
THE CAMBODIA DAILY

A diminished US dollar, which fell this week to a three-year low against the Japanese yen and a near-record low against the euro, is hurting the Cambodian economy, experts say, prompting calls by some for a return to the riel as the country's sole currency.

Acleda Bank President In Channy said Monday that a return to monetary autonomy could dampen the effect of wavering foreign economies, like the slowing US economy.

"If we depend more on local currency, then foreign economic recessions like this will have less effect," said In Channy.

SRP lawmaker and economist Tioulong Saumura, who was formerly deputy governor of the National Bank of Cambodia, agrees.

"Because of rampant, widespread dollarization, the role of the central bank is very weak, if not redundant," she said.

Because the riel is informally pegged to the US dollar, Cambodian exports cheapen at the same rate as US goods. While exporters, like rice farmers and garments producers, benefit from the current economic climate and have a leg up on regional competitors, companies that import goods may falter, says Seiha Neou, a senior researcher at the Economic Institute of Cambodia.

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>
> —In Channy,
> Acleda Bank President

Since Cambodia imports more than it exports, the country overall stands to lose more than it might gain from a weak dollar, said NBC Director General Tal Nay Im.

"Our economy is heavily dollarized," she said in a recent interview at the National Bank. "Right now it's weak and affecting inflation."

As Cambodian goods become cheaper, and thus more appealing to foreign buyers, more products will disappear from Cambodia's outer provinces to surrounding countries, leaving Phnom Penh to purchase imports, like rice, on a weakened riel. This cycle will cause prices in Phnom Penh to rise, said Seiha Neou, adding that such a situation would be exacerbated if a US recession hits.

Feb 15, the Stock Exchange of Thailand, along with exchanges in Sydney, Kuala Lumpur and Seoul, all closed at lows due to remarks from US Federal Reserve Chairman Ben Bernanke that the US economy was entering "a period of sluggish growth." Tioulong Saumura worries that sluggish foreign markets could hinder international investment in Cambodia.

"I am sure it is going to have an impact," the parliamentarian said in a recent interview.

The extent of that impact is yet to be determined.

Tioulong Saumura said the effects of a US recession could be buffered by Europe, which receives a quarter of Cambodia's garment exports and has the power to counterbalance a US recession. Even if garment exports decrease over the next year, Seiha Neou said the weak dollar might boost Cambodian exports to Asian economies and help make up the difference. Tal Nay Im suggested a booming tourism industry might also stave any serious economic impact.

However, countries that export a high percentage of goods to the US are most vulnerable to a US recession. Exports to the US from Singapore and Malaysia equate to 20 percent or more of their respective GDPs. Singapore's exports to the US decreased by 11 percent over the past year and Malaysia's fell by 16 percent, according to The Economist magazine. On the surface, those decreases do not bode well for Cambodia since nearly 20

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