

INGS: Dell Computer's fourth-quarter earnings of \$436 million, in line with previously low-
Dell said its profit growth was slowed by a sales slowdown tied to Year 2000 fears, to \$6.8 billion.

KE: Engineers and technical workers at the third day of their strike against the air-
to further talks planned. The union repre-
sents said nearly all supported the walkout
ing said 17,000 workers were absent, the
Wednesday. The employees struck over
ce benefits differences with the company.

ACY: Sen. Robert Torricelli, D-N.J., in-
Thursday to forbid Web sites from gath-
from Web surfers without getting their
torricelli says consumers need the bill to
nst Internet advertising companies that
rack users' movements across numerous
Electronic Privacy Information Center
with the Federal Trade Commission,
rnet advertising firm DoubleClick is un-
the online activities of Internet users and
records with detailed personal profiles in
ing database.

COM EARNINGS: MCI WorldCom's
arnings nearly tripled to \$1.2 billion, or
as the Internet boom pushed revenue up
at Wall Street estimates by 1 cent a share.
ers said the company would consider cre-
stock for some assets. MCI WorldCom's
r 3.5%, to \$49 3/4.

S: Federal Reserve Chairman Alan Green-
press to act quickly to exempt from reg-
financial contracts known as over-the-
es, before the U.S. share of that market is
mpetitors.

Nathan from staff and wire reports

AGING YOUR MONEY

Every Friday

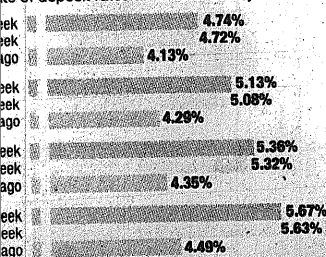
- What's the best software for doing your income taxes? Check our reviews, 3B
- Mutual fund portfolio on a shoestring: John Waggoner's Investing column, 3B

PSHOTS®

that shape your finances

D rates

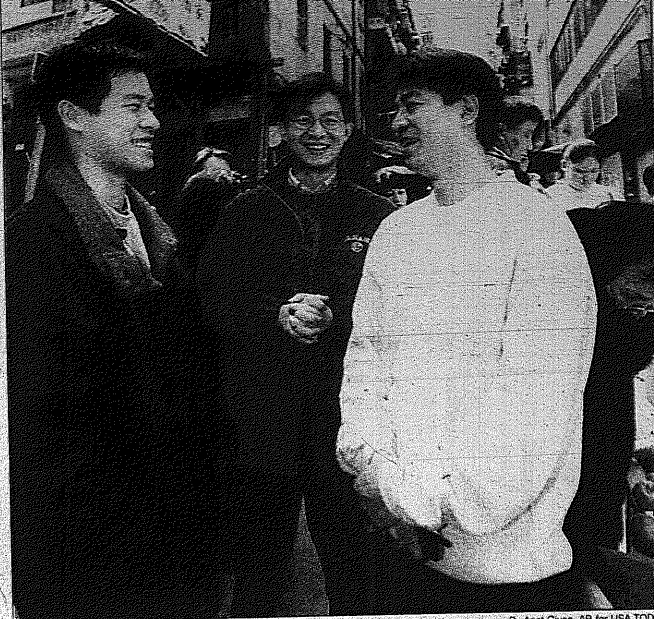
ate of deposit rates as of Wednesday:



SAVERS' SCOREBOARD 3B

000-327-7717, www.bankrate.com

USA TODAY



Young guns: Founders of Myrice.com chat in a Hong Kong market Tuesday. From left, Anthony Yip, 21, Howard Chu, 35, and Pao Wan, 31, seek to expand e-commerce in China.

COVER STORY

Internet revolution rolls through Asia

By Julie Schmit
USA TODAY

HONG KONG — On a narrow street flanked by skyscrapers, the Chinese entrepreneurs of old peddle their fruits, vegetables, medicines and chicken feet. It is a distinctive Hong Kong scene.

But there are new kids on the block — and lots of them. The Internet gold rush of California's Silicon Valley has hit Hong Kong, and much of Asia, ratcheting up in recent months to a frenetic pace.

Next to the street market is now "Dotcom House," a financial office tower renamed for the 21st century. Venture capital, once rare, is so plentiful that entrepreneurs are turning away investors. The promise of Internet riches is sucking in everyone from 21-year-olds to Hong Kong property tycoons. Even workers with minimal high-tech experience are fielding multiple job offers and loading up on stock options.

"Deja-wu," says Stephen Wu, Microsoft's regional general manager of Asia's consumer group, as he compares the scene to the Silicon Valley five years ago with the rise of Netscape and the Internet.

Make that deja-wu. Asia's Internet scene has lagged that of the USA by three to five years. But it's now playing catch-up "and the gap is shortening by the week," says Brian O'Connor, executive chairman of the Hong

Internet IPOs bloom across Asia

Asia's Internet initial public offerings are poised to boom, analysts say. Some that have already occurred:

Company	Exch.	IPO price	Thurs. close
chinadotcom	Nasdaq (CHINA)	\$10	\$107
Korea Thrunet	Nasdaq (KOREA)	\$18	\$66 1/2
Pacific Internet	Nasdaq (PCNTR)	\$17	\$70 1/2
Satyam Computer Services	Nasdaq (SIFY)	\$18	\$74 1/2
ICable	Nasdaq (ICAB)	\$27	\$21 1/2

Sources: Renaissance Capital, www.investor.com

Kong-based Internet start-up ehealthcare-asia.com, an information site for Asian medical professionals and consumers.

The boom may take longer to unfold in Asia, where risk-takers, established venture capital networks and high-tech talent are scarcer. But the potential for the Internet to be an agent of change in Asia, beset by inefficiencies born of state intervention and controlled markets, is huge.

"If the U.S. economy is already highly efficient, how much more efficient can e-commerce make it?" asks Merrill Lynch Asia Pacific Internet analyst Matei Mihalca in a recent report. "Asia, in contrast, holds great potential."

Please see COVER STORY next page ►

Loans will top 9%

By Christine Dugas
USA TODAY

NEW YORK — Inflation fears pushed mortgage rates this week to their highest level since July 1996.

The average 30-year fixed-rate mortgage jumped to 8.36%, from 8.25% a week ago, according to Freddie Mac.

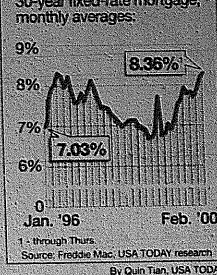
And rates could go higher as other interest rates rise. Not only is the Federal Reserve expected to boost short-term rates again, but yields on Treasury bonds, after plunging last week, shot up Thursday.

Fears of scarcity ignited a buying frenzy in T-bonds last week, as the federal budget surplus means less public debt. But Thursday, investors stayed away from the Treasury auction, sending the yield on 30-year bonds to 6.43% from 6.32% Tuesday. Bids were the lowest many traders could remember.

"When the Fed raised short-term rates in tune with market expectations last week, mortgage rates began to settle a little lower," says Robert Van Order, chief economist for Freddie Mac. "All that changed when employment figures released (Feb. 4) showed a thriving labor market," re-igniting fears of rising wage inflation.

This is the ninth week mortgage rates have risen. Keith Gumbinger, at mortgage tracker HSH Associates, predicts 30-year fixed mortgages will reach 9% in the next couple of months.

Most experts predict at least one more Fed rate increase



this year. The last time the Fed was actively raising rates, in 1994, mortgage rates rose 2.68 percentage points over 14 months, Gumbinger notes. If history repeats, mortgage rates would peak at 9.26%.

As a rule, mortgage rates track rates on 10-year Treasury notes. But the 10-year note is becoming less reliable as an indicator of mortgage rates, says James Annable, chief economist at Wingspan.com.

The spread between 30-year mortgages and 10-year Treasury notes has averaged 1.7 percentage points since 1986, according to HSH. But that spread has been distorted. During the Russian economic crisis in 1998, it ballooned to 2.44 percentage points, as investors worldwide sought safety in U.S. Treasuries. And last week, after the Treasury announced plans to buy back \$30 billion in bonds and issue fewer new securities, the spread widened to 1.87 percentage points.

"What people need to watch, and what tends to drive the mortgage market, is the inflation rate," Annable says.

Men fall in love with buying lingerie online for Valentines

By Lorrie Grant
USA TODAY

Modern-day Cupids will shop all venues for Valentine's gifts, but when it comes to intimate apparel, an increasing number of men are buying over the Internet instead of at stores.

Some 8% of males plan to buy lingerie for Valentine's Day gifts, and of them, 24% plan to buy online, according to NPDI Group in New York.

That compares with 21% of shoppers who will buy flowers online, 8% who plan to buy stuffed animals online and 5% who expect to buy candy and chocolates over the Internet.

Lingerie is a \$14 billion industry and ranks among the hottest gifts for Valentine's Day, despite the unease that some men may experience shopping for intimate apparel in stores.

"The two intimidating factors for men are discomfort and not

knowing the size," says Cynthia Cohen of Strategic Mindshare.

Online merchants have retooled their sites to take away those fears, however.

For example, the online store for Victoria's Secret (www.victoriasecret.com) lets a prospective gift recipient put products into a wish list to be emailed to a likely gift giver.

"The concept of buying (lingerie) on a Web site makes a lot of sense," says George Whelan, president of Retail Management Consultants, calling the ability to shop in anonymity the touchstone of online shopping.

Shoppers for Monday's Valentine's holiday have sought out specialty gift sites. Victoria's Secret, a leading retailer of intimate apparel with 16% of the market, vaulted from seventh to first among fashion Web sites for the week ended Feb. 1, reaching 658,000 unique users, according to PC Data Online.

SEE EMPLOYMENT REVIEW'S BEST HOSPITALS IN TODAY'S MONEY SECTION AND AT www.bestjobsusa.com

Asia holds startling e-potential

Continued from 1B

Many people agree: The amount of money flowing into Asian ventures, many of them high-tech, has more than doubled in the past year, estimates Hanson Cheah, executive director of AsiaTech Ventures.

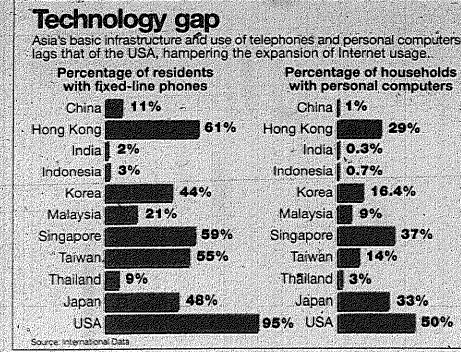
Two years ago, he was one of few tech investors in the region. Now, "everybody and his brother has a fund," says Antony Yip, co-founder of Myr-

COVER STORY

ice.com, an e-commerce Internet company targeting China. Among them: Goldman Sachs, Fidelity and Walden International. Asia's major Net investor, Softbank of Japan, has earmarked \$100 million for Net ventures in South Korea and recently bought a Hong Kong garment maker as a technology investment vehicle in greater China. Hong Kong's Pacific Century Cyberworks, which aims to supply Asia with high-speed Internet access, has invested \$600 million in Net ventures and has partnered with U.S.-based Internet conglomerate CMGI. Chipmaker Intel has invested in 26 start-ups in two years.

Many point to the success of chinadot.com, an Internet portal, as a catalyst. Its stock has more than quadrupled since it went public on Nasdaq in July.

While handfuls of Asian Net com-



panies went public last year, hundreds will do so this year, analysts say. "We've seen the trickle before the flood," says Salomon Smith Barney Internet analyst Pete Hitchen.

But while Asia has a lot of money, it doesn't have a lot of new ideas. Most often, Asia's entrepreneurs are localizing U.S. business models. SOHU and KIMO are portals in the vein of Yahoo. RenRen.com compares itself to the online community of Geocities. Hong Kong's AsiaMix, a multi-Asian language music site, likens itself to EMusic.

Aping the culture

Hong Kong's RenRen has even imported the Silicon Valley culture. Its office walls are charcoal gray, brightened with yellow chairs. All 130 employees get stock options, including the "tea lady," who tidies up the

place. Instead of engaging in the Silicon Valley custom of beer on Fridays, workers get tea and snacks. No room for roller hockey in crowded Hong Kong? Try laser tag. "You have to release the pressure," says CEO Michael Robinson, a Long Island, N.Y., native and former McKinsey consultant.

The fact that Asia isn't reinventing the wheel is one reason it can move fast. Hong Kong has 300 Net start-ups, up from 100 a year ago, estimates Lane Leskela, e-business analyst for Gartner Group. U.S. companies, such as Priceline, CNET and NBC Internet, are partnering with Asian ventures. And companies like Hutchison Whampoa, a shipping and telecommunications giant, are moving almost as fast as the start-ups. "Every day, there is a new established business developing a new Internet business," says Chris Justice, CEO of Asia-



Web work: Catherine Leung, right, and Web designer Cheung Chi Chiu work on a layout for RenRen.com, an online community for Chinese around the globe.

content.com, which provides content in five languages.

All companies share the same challenge: finding workers. "If anybody has any experience, they are writing their own tickets," says Kevin McCormick, human resources manager for the Morgan & Banks recruiting firm.

Ross Hughes spurned six job offers in December before being lured from his technology public relations job to Internet advertising firm Space Asia. And unlike many Silicon Valley workers, he didn't have to take a pay cut in exchange for stock options. He got both.

High-tech workers are scarce everywhere, but Asia faces an added burden because many Asians are less likely to risk leaving safe jobs. What's more, the potential value of stock options, a key recruiting tool in the Silicon Valley, isn't always understood. A senior-level job candidate at Asia Online demanded 10 things, includ-

ing the right to fly business class. "He never mentioned stock options," says CEO Kevin Randolph.

Flops are a given

The flood of money and people into the Net is bound to result in some spectacular flops, perhaps even more so in Asia than in the USA, says AsiaTech's Cheah.

Seasoned venture capitalists or technology executives coddled many Silicon Valley start-ups, providing needed management expertise.

In Asia, many investors are more passive and the ideas are less innovative, says Cheah, who operates in the vein of a Silicon Valley venture capitalist.

While he looks twice at four out of 10 ideas originating from Silicon Valley, he looks twice at two out of 10 in Asia.

"You have a lot of good money chasing bad deals," he says.

Barriers can slow Net industry in Asia

HONG KONG — Asia's Internet industry faces more and often higher barriers than the industry in the USA, analysts say.

For starters, a smaller percentage of Asians have personal computers or telephones, with which to access the Internet, making basic connectivity a factor slowing growth.

Other problems:
► Few Asians use credit cards.
► Poor distribution systems on the ground diminish cost savings gained by using the Internet to market, sell and manage products.

► As in the USA, Internet companies are pursuing advertising dollars to make money, but it's tougher in Asia. While advertisers spend \$750 a person each year on advertising in the USA, they spend less than \$10 a person in China, India and Indonesia, Merrill Lynch estimates.

Restrictive governments, too, could hold back growth.

► Most major telecommunications markets in Asia are dominated by state-controlled companies, which often means higher prices and poorer service. Even in Hong Kong, among the most deregulated markets, companies struggle to get high-speed Internet access.

► China sent shudders through the industry by vowing to crack down on Internet companies that publish "state secrets," which can mean almost anything deemed troublesome.

► China also has ordered companies to tell the government about the encryption software they use, raising the possibility of more government peering into private information sent across the Net.

By Julie Schmitt

Clinton: Fiscal restraint was key

"The main thing we did was to cut interest rates by getting rid of the deficit"

President Clinton discussed the nation's ongoing economic boom, recent attacks on major U.S. Internet sites and other topics Thursday at the White House. He met with USA TODAY's George Hager and reporters from two other news organizations.

Here are edited excerpts from the interview:

Q: How much credit can you and your administration take for this boom?

A: If you look at the difference in the expansions of the '80s and the '90s, the one in the '80s was funded by an old-fashioned explosion of deficit spending. But it built in a structural deficit, which guaranteed profound long-term problems for the economy: very high interest rates and very slow job growth.

The main thing we did was to cut interest rates by getting rid of the deficit. So I think our main contribution in the short run was to make it absolutely clear that we would have a consistent, disciplined fiscal approach that would cut and then eventually eliminate the deficit. And I think that played a major role in the investment boom. And it cut interest rates, which also put more money in consumers' pockets, which helped fuel the consumer side of this recovery.

The lion's share of the credit belongs to the people in the private economy: the people who restructured in the '80s; the workers who got better training and understood the global economy and didn't press for what would have been inflationary increases in pay and benefits, that aligned them more with the real profitability of their firms. And then finally what I think only



Clinton: Despite problems, Internet should remain open.

people.

Now, to the second question. Yes, I'm concerned about the latest hacking incidents. But I think that we've gotten all this incredible benefit out of a system that is fundamentally open. And as you know, I've worked hard to keep it unencumbered, to try to make sure that Internet commerce is not unduly burdened by regulation or taxation. And if you have an open system like this, you're going to have to have continuous guarding against intrusion.

I think it's important that we not overreact to this. We don't want to shut off this incredible resource — which I think will be a source of great wealth and, I think, will have all kinds of social benefits, not only in the United States but around the world.

We'll figure out — we'll continue to figure out — how to secure the Internet without shutting it down or closing off options. But the American people should look at this as an inevitable negative development in what is an overall very positive trend.

Q: Are you worried about high oil prices or other threats to the expansion?

A: Two things are there

It's time to explore global investing opportunities.

Let Prudential Mutual Funds be your guide.

NEW FUND

Introducing Prudential Jennison International Growth Fund

The newest member of the Prudential family of international funds draws on our Rock Solid® approach to investing overseas — and the expertise of a renowned sub-advisor, Jennison Associates, a wholly owned subsidiary of Prudential, has been a premier manager of domestic and international growth stock portfolios for over 30 years, with a major presence in foreign markets.

The co-managers of the Fund, Blair Boyer and Howard Moss, have more than 45 years of investing experience between them.

Diversifying your mutual fund portfolio with international growth potential has always been a sound strategy. Now more than ever, the attractive outlook for many foreign markets suggests you may want to put more of your money to work in international investments. Speak with your financial professional about how Prudential Mutual Funds can help strengthen your portfolio.

Exhaustive research is our foundation. Every holding in a Prudential actively managed mutual fund is chosen based on in-depth fundamental research. Prudential's analysts routinely visit companies to scrutinize their business, analyze risks, and assess earnings and growth potential.

Our team-based approach creates an advantage. Prudential draws on the knowledge of regionally based investment teams, each with highly specialized expertise and access to information around the world.

Global analysis means added risk management. Once we have obtained the input of our locally based analysts, Prudential adds another layer of research. Our U.S.-based global portfolio managers fine-tune stock selections to ensure that each local investment decision is made in

Prudential Global and International Stock Funds, Class A shares

Average Annual Total Returns as of 12/31/99 (Including Sales Charges)*

	1-year	5-years	Since Inception
Prudential Pacific Growth Fund	59.75%	2.88%	8.47% (1/24/70)
Prudential Global Growth Fund	41.13%	20.11%	12.98% (1/22/70)
Prudential Global Genesis Fund	35.67%	10.50%	9.37% (1/22/70)
Prudential Developing Markets Equity Fund	63.22%	N/A	26.45% (1/26/70)
Prudential International Value Fund	25.54%	N/A	14.93% (1/26/70)
Prudential Europe Growth Fund	20.90%	21.20%	18.29% (1/19/91)

Past performance is no guarantee of future results.

Learn more today. For more complete information about any of Prudential's global and international funds, including charges and expenses, call and ask for a free prospectus. Before you invest or send money, please read the prospectus carefully.