

## Lack of patronisation Cooperative, land mortgage banks face closure in N dists

From Our Correspondent

RANGPUR, July 31: All 16 central co-operative and land mortgage banks in the country's northern region are now in miserable conditions due to want of financial assistance from the government.

According to informations received here, the Ministry of Finance, Ministry of LGRD and co-operatives and Bangladesh Bank had stopped patronising the co-operative and land mortgage banks a few years back, throwing such banks of the northern region in severe financial crises.

Many of these banks have faced closures in the absence of funds.

The farmers' agri-cooperative societies like sugarcane and fisheries societies and some other central co-operative societies are faced with acute financial crises following non-disbursement of loans by the central co-operative banks. As a result, the societies had to suspend their functions, it was alleged.

A source close to the Co-operative Department said that the central co-operative banks were now running without funds as the Finance Ministry was not allocating required funds.

The land mortgage banks in the northern region are also in severe fund shortage for lack of government patronisation.

It was further alleged that the farmers in the northern districts were finding it hard to receive financial benefits from these banks.

The development of pisciculture, agriculture and small industries have been facing setbacks due to the moribund conditions of different co-operative organisations under the central co-operative societies in the region, according to the farmers.

Huge land areas, owned by the Co-operative Department, are now the possessions of some illegal occupants.

The closures of the central co-operative banks will make the government sustain property losses to the tune of crores of taka, experienced circles feared.

Immediate steps are needed to salvage these co-operatives banks, it was felt.

## 2.2m unemployed in Thailand

BANGKOK, July 31: Thailand's unemployment has reached 2.2 million and the situation is bound to get worse with the current economic crisis, said Labour Minister Trairong Suwankhri yesterday, reports Reuters.

Of the total 320,000 people lost their jobs because of business collapse and layoff, 970,000 were seasonally unemployed and 480,000 were new graduates unable to find jobs.

Trairong's jobless figure differs from that published by the Thai National Statistics Office which said recently that unemployment had hit 2.7 million in a work force of 30 million.

This is what the government had expected, I warned the (ruling) Democrat Party before we formed the government not to lead the country at this troubled time because the economy is going to hit bottom," he told a Parliament Committee on Labour and Welfare.

"And (the bottoming out) will happen this year. But since we are here, we have to do our best. I must admit the situation is getting worse by the day," said the minister who is a senior Democrat Party member.

A labour union leader Somsak Kosaisuk disputed the figure, saying that the actual unemployment figure could have already hit the 3.0 million mark.

Somsak said the figure the Labour Ministry got was only from reports from those who had lost their jobs while there were a lot of people who missed the survey.

Hardest hit were those in the construction sector which was among those severely affected by the economic crisis. Somsak said around 500,000 - 600,000 in the sector had lost jobs.

## Mexican judge dismisses fraud charges against 3 IBM executives

MEXICO CITY, July 31: A Mexico City judge has dismissed fraud charges against three International Business Machines Corp. executives, says AP.

The judge said Thursday that prosecutors had not provided enough evidence to prove that the three IBM employees had illegally conspired to win a 27.7 million dollars contract for a Mexico City police database.

Nineteen police employees still face charges relating to the contract, allegedly for conspiring to give IBM the project without putting it out for bid.

Last week, IBM agreed to pay monetary and in-kind reparations to the Mexico City prosecutor's office for the database. Officials have said "never worked".

Under the terms of the deal, IBM will provide free services until 2000 and make 12 monthly payments of 406,525 dollars to the prosecutor's office.

The total value of the reparations package was estimated at over 37 million dollars.

# SAARC nations agree to stick to SAFTA deadline of 2001

COLOMBO, July 31: South Asian leaders agreed this week that their progress towards a regional free trade area had been slow, but stuck to their deadline of 2001 for its inception. Sri Lankan President Chandrika Kumaratunga said today, reports Reuters.

"As for SAFTA, we resolved to commence work on the test of a regulatory framework for SAFTA to enable its finalisation by the year 2001," Kumaratunga told the closing ceremony of the South Asian Association for Regional Cooperation (SAARC) summit.

The members of SAARC, which groups Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka have been aiming to forge a reduced-tariff regime known as

the South Asian Free Trade Area (SAFTA) by 2001.

Sri Lankan Foreign Minister Lakshman Kadirgamar told reporters on the sidelines of the summit in Colombo earlier this week that the SAFTA deadline was under review.

"There are problems," he told reporters. "The deadline is there, but we are reviewing it."

The SAARC nations are among the poorest in the world and their combined share of total world trade is less than four per cent.

The group launched a South Asian Preferential Trading Agreement (SAPTA), a first and modest step towards promoting intra-bloc commerce and dismantling trade barriers, in December 1995 and later decided to transform it into SAFTA by

2005. A SAARC Summit in the Maldives last year advanced the deadline to 2001.

Kumaratunga said SAARC leaders agreed that progress towards SAFTA had been slow and that deeper preferential tariff concessions should be extended to actively traded products.

They also said there was a need to do away with discriminatory practices and non-tariff barriers for goods on which concessions have already been made, and that domestic-content requirements under SAFTA rules should be applied.

The Sri Lankan President, who will chair the bloc for the next year, said a SAFTA committee meeting in Colombo in October would finalise the extent of induction and would

propose dates for the phased implementation of the free trade area.

She said heads of states had looked carefully during their summit at how SAARC could face the promises and perils of the international economic environment.

"Sri Lanka... was mandated to consult with member states to work out practical measures to help the association to identify, analyse and help our states to face up to the current global, financial and economic developments," she said.

She said heads of the members' central banks would meet soon in Colombo to strengthen their monetary and financial programmes to tackle the international economic situation.

## 2 South Korean banks merge

SEOUL, July 31: Two major commercial banks announced a merger Friday, giving a much-needed boost to President Kim Dae-jung's efforts to clean up the country's debt-ridden banking system, reports AP.

The marriage between two of the nation's top five banks — Hanil Bank and Commercial Bank of Korea — will create South Korea's largest bank with combined assets of 102 trillion won (\$2 billion dollars).

The two banks said they will become more efficient by cutting their work force and shutting down many of their combined 950 retail branches. But they also asked the government to take over a portion of their non-performing loans estimated at 10.4 billion dollars.

"We realised that we can not survive on our own in this difficult time for the banking industry," said Bae Chan-byung, head of Commercial Bank of Korea.

Lee Kwan-woo, head of Hanil Bank, said the banks will ask the government to invest up to 6.4 billion dollars to help write off bad loans or buy new shares.

Restructuring the ailing banking system is the cornerstone of President Kim's plan for reviving South Korea's economy, which was bailed out by the International Monetary Fund in December.

The government had previously shut down 14 troubled merchant banks, or finance companies, and five small commercial banks. But critics have said that was not enough.

Although both Commercial Bank and Hanil said their planned merger was voluntary, Kim has been urging major commercial banks to strike mergers to improve their capital-to-asset ratio to internationally accepted levels.

Also Friday, the Ministry of Finance and Economy reaffirmed its promises to help such mergers by writing off bad loans and giving tax benefits.

Domestic news media said more banks were discussing mergers.

With Korean banks struggling under their own debts, government efforts to restructure the debt-ridden industries has been stalling.

In its annual economy survey report, the Paris-based Organisation for Economic Co-operation and Development said a political system of implicit collusion between the government, banks and large corporations created the structural faults lines.

During the past military rulers, banks were accused of paying little attention either to the true financial condition of borrowers or the long-term profitability of the projects being funded.

# Indian firms take a hit from economic slowdown

BOMBAY, July 31: Poor financial results posted by an array of Indian companies in the quarter to June signal that the Indian economy is headed further downhill, analysts said here, reports AFP.

Almost 100 companies have so far announced their results for the first quarter of the fiscal year, and several conglomerates such as Tata Steel, Tata Engineering and Associated Cement reported huge losses.

Broker Ajit Ambani said 60 per cent of the firms had posted bad results.

"Tata Steel, Tata Engineering are glaring examples. Profits are being squeezed, sales are languishing and companies are unable to manoeuvre around their overheads."

"Many companies have turned into high-cost operations with low price realisations. The results so far announced show no definite signs of any recovery," he said yesterday.

Ambani said normally the quarter to June is "not a lean season and if despite this most companies turn in poor results, this shows the slowdown is still continuing."

Steel, cement, engineering, commercial vehicles, and automobile ancillaries were the sectors remaining in the red while banking, pharmaceutical, petroleum and consumer goods companies turned in profits.

Broker Ambani said corporate results in the next three months could be worse. I did not see any improvement in demand or industry confidence.

Analyst Divesh Kumar, at foreign brokerage ABN Amro Equities, said: "The company results so far do not indicate any definite signs of a recovery."

## US to give 1.5m tonnes of wheat

# Donors pledge \$7.9b in aid for Indonesia

PARIS, July 31: Donor countries on Thursday pledged 7.9 billion dollars in aid for Indonesia in the year to March 1999, the World Bank announced, reports AFP.

The amount was at the top end of the six to eight billion dollars the World Bank had said Indonesia needed from the meeting here of some 30 donor countries and international organisations.

"Donors joined the Indonesian government in underlining the need for better governance and increased monitoring to create a climate of openness and transparency," the World Bank, which chaired the meeting, said in a statement.

Indonesian Economy Minister Ginandjar Kartasasmita said his government was "very serious" about achieving economic reform and intent on providing urgent assistance for the poor.

"We are racing against time to meet the needs of the people," he told the meeting.

Donors said they could meet again in six months "if circumstances warranted it," otherwise they will meet again in a year's time.

Meanwhile, Ginandjar Kartasasmita said yesterday that

the United States would donate 1.5 million tonnes of wheat to Indonesia as part of an aid programme announced by US President Bill Clinton earlier this month.

"One point five million," Ginandjar said when asked how many tonnes of wheat the US would donate. He was speaking after a news conference on international aid to Indonesia.

The Indonesian government plans to sell the wheat within Indonesia as part of its poverty reduction and subsidy programme.

He gave no details about prices or how the sales would take place.

Clinton said on July 18 the US government would buy 250 million dollars worth of surplus wheat and donate it to hungry countries to help shore up falling US crop prices.

Separately, Indonesia confirmed it was buying 745,000 tonnes of wheat from the United States, Canada and Australia for between 129.24 dollars and 171 dollars per tonne.

It said, 269,500 tonnes would come from Australia, 240,000 tonnes from Canada and 235,500 from the United States.



SAVING THE SOULS: The owners of poultry farms in the city's Gulshan Thana area carry some of their chicks in a basket to safe places. The poultry owners in the locality have already incurred huge financial losses, as rising flood waters have killed a great many of their chickens in recent days.

— Star photo by Amran Hossain

# Pakistan focuses on indigenous resources for power generation

ISLAMABAD, July 31: Cash-strapped Pakistan plans to switch from expensive, foreign fuels to its own hydroelectric and coal resources to generate power, the power minister said Friday, reports AP.

"We are focusing on indigenous resources because they are cheaper," the Federal Minister for Water and Power Raja Nadir Pervaiz told reporters. For the time being, the government will only consider new projects that involve hydroelectric or coal power, he said.

Prime Minister Nawaz Sharif's government is locked in a bitter dispute with independent producers it says are overcharging for power.

Most of the producers were awarded contracts by former Prime Minister Benazir Bhutto's government in the mid-1990s, and most of them use imported oil for power generation.

The government accuses Benazir Bhutto of taking kickbacks in exchange for awarding expensive power contracts and has threatened not to honour deals it says are corrupt. Both Benazir and the producers deny the charge.

The government has already terminated the contract of one private power company and issued notices it plans to do so to several others, most of which are owned in part by foreigners.

Nonetheless, Pervaiz said Friday, the government has not defaulted on payments already due to power producers. The government paid 60 billion rupees (about \$1 billion) up to June, and owes another 93 billion rupees (about \$1.66 billion) by next June.

Pakistan has seen its foreign exchange reserves plummet since it hit with international economic sanctions following nuclear tests in May. The sanctions have led to speculation the country would soon default on its foreign debt of \$30 billion. Officials say they are husbanding their resources to avoid default, and that they expect a bailout soon from international lenders.

Pervaiz announced guidelines Friday under which he said the government will guarantee new power contracts and ensure they will not be affected by future changes in taxes and duties.

The government will also ensure convertibility of the rupees into US dollars at the exchange rates prevailing when contracts were struck and allow remittances of foreign exchange to cover payments related to debt servicing and dividends.

Pervaiz said tariffs would be set through competitive bidding and investors would be invited to offer the lowest tariff per kilowatt hour for delivered energy.

The previous power policy provided almost blanket exemptions from all duties and taxes," he said, adding that the local engineering industry and equipment manufacturers for power plants took a beating as they could not compete because they paid duties on their components.

"The new power policy framework is eliminating this inequity," he said.

Pervaiz said hydroelectric projects would be implemented on a build-own-operate-transfer basis and thermal projects on a build-own-operate basis.

The country was producing surplus electricity at present and the existing public and pri-

vate units could meet demand at least until 2003. Additional power generation capacity would be needed beyond these years, he said.

## IMF, ADB to review Pak power utility restructuring

ISLAMABAD, July 31: Pakistan will hold talks with the International Monetary Fund and the Asian Development Bank for a 250 million dollar loan for the restructuring of its state utility next week, a Cabinet minister said Friday, reports AP.

A visit by lenders has been expected since June 21, when the United States lifted a blockade on international loans to Pakistan. Loans had been frozen under anti-nuclear sanctions after Pakistan tested nuclear weapons in May.

Several other issues will be discussed in the meetings with teams from the IMF and the ADB scheduled for Tuesday.

## Kiriyenko sends warning to striking miners

MOSCOW, July 31: Russian Prime Minister Sergei Kiriyenko warned striking miners across Russia Thursday that the government will not tolerate continued blockades of the country's railways, a news report said, reports AP.

Protesting for months of unpaid back wages, miners have blocked rails across Russia in recent months, disrupting rail operations and leaving many businesses short of supplies.

"The government will install order. The law will be enforced," Kiriyenko said, according to the Interfax news agency.

But miners on Sakhalin Island ignored the threat and for a seventh day blocked the railway that takes coal to the main power plant on the eastern island.

Their protest was expected to force plant officials to shut down another power unit by Friday night because the station is running out of coal reserves.

As a result of the blockade, the island will ration electricity, providing six hours of power each day to users, including hospital and schools, the ITAR Tass news agency reported.

# IMF to discuss bailout package with Russia

WASHINGTON, July 31: A senior International Monetary Fund official will visit Moscow this weekend for talks with Russian authorities on the Fund's rescue package as the country's financial markets continue to decline, says AP.

Confirming the trip by Stanley Fischer, first deputy managing director of the Fund, a spokesman said Thursday. "The purpose of the visit is to review the IMF-supported programme.... He is not there to discuss extra-money" for President Boris Yeltsin's government.

Russia's Interfax news agency reported from Moscow that Fischer would meet with Russian Prime Minister Sergei Kiriyenko and Anatoly Chubais, the country's special IMF negotiator.

Russian markets, which have declined by 60 per cent since the beginning of the year, closed slightly up Thursday after Kiriyenko met with a large group of foreign investors to explain the government's economic plans. He said he would hold such meetings regularly.

The Fund and other lenders agreed earlier this month on a 17 billion dollar rescue package that the government and its

lenders hoped would restore investor confidence and provide a few months of breathing space. But communists in parliament have resisted Yeltsin's financial stabilisation plan, which includes numerous tax-raising measures.

Coming 11 days after Fund's executive board met in Washington with top Russian negotiators, Fischer's trip appeared to be hastily arranged and aimed at examining the financial market's negative reaction.

IMF directors agreed July 20 to expand an existing 9.2 billion dollars credit programme with Russia by 11.2 billion dollars. Of that total, 4.8 billion dollars was disbursed immediately.

However, the size of the first payment was trimmed by 800 million dollars from 5.6 billion dollars previously offered because of the Russian authorities' failure to get parliament to approve the tax measures.

There is also renewed talk of a ruble devaluation, which would be catastrophic for Russian banks, importers and others who have financial obligations in dollars.

## Rolls-Royce boss resigns

LONDON, July 31: The boss of Rolls-Royce Motor Cars Ltd has resigned — just two days after German auto rivals BMW and Volkswagen signed a deal to carve up the legendary luxury carmaker, an industry source said Thursday night, says AP.

Graham Morris decided to leave as chief executive of Rolls Royce after it became clear earlier this week that in a few years the famed automobiles will no longer be made at the company's factory in Crewe, England, the source said.

The source, who is familiar with the situation at Rolls-Royce, spoke to The Associated Press only on condition of anonymity and did not provide any extra details.

Rolls-Royce declined any comment on the situation. A company spokesman, Richard Charlesworth, said Rolls-Royce planned to issue a statement Friday morning.

Morris would be leaving the top job at Rolls-Royce at a time of radical change at the carmaker that through the decades has come to epitomize hand-made English craftsmanship.

Volkswagen AG bought Rolls-Royce early this month for 479 million pounds (790 million dollars).



Currency dealers hold their head during Friday afternoon tradings yesterday as the US dollar surged sharply against the Japanese yen on the Tokyo Foreign Exchange market following comments by Japan's new Finance Minister Kiichi Miyazawa that appeared to signal reluctance to intervene in currency markets. The dollar bought 143.78 yen in afternoon trading, up 1.48 yen from late Thursday in Tokyo.

— AP/UNB photo

# Obuchi gets down to reviving economy from recession

TOKYO, July 31: With Japan's unemployment rate hitting a record high, the country's new prime minister vowed Friday to move quickly to revive the economy from its worst recession in decades and clean up its debt-troubled financial system, reports AP.

"This Cabinet's biggest issue is how to overcome these severe economic difficulties as soon as possible," said Keizo Obuchi, elected premier by Parliament on Thursday, said in his first news conference since taking office.

More signs Japan's recession is worsening hit the new administration Friday: The government announced that Japan's unemployment rate surged to 4.3 per cent in June, up from two consecutive months at 4.1 per cent.

The June figure is the highest since the government began its current system of compiling unemployment data in 1953.

Hours after his election, Obuchi named the members of what he has dubbed his "economic recovery Cabinet," including a widely respected former premier to be finance minister, the Cabinet's most

prominent economic post.

Obuchi said Friday he would move promptly to implement economic stimulus measures he had promised while campaigning last week to win his party's nomination as premier.

These include 6 trillion yen (\$42 billion) in tax cuts to bring Japan's rates down to US and British levels, 10 trillion yen (\$70 billion) in extra public works spending and up to a 20 per cent cut in the bureaucracy over five years.

"I will definitely carry out these promises," Obuchi said. Despite the pledges, the 61-year-old former foreign affairs minister is considered by critics to be too beholden to the special interest politics that dominate the Liberal Democratic Party to take the bold, innovative steps needed to solve the structural flaws of the Japanese economy.

He tried to reverse that image this week by naming former Prime Minister Kiichi Miyazawa to take the finance minister's job. Miyazawa, 78, is respected by many as an economic expert and is an architect of the government's plan to bail out its debt-laden banking

system. Japan's banks are struggling to write off a growing burden of loans that have defaulted or are at risk of default because of a long slump in the nation's real estate market.

Because disclosure by Japanese banks remains so poor, the exact size of the problem is still unclear. While the government estimates that problem loans total 76 trillion yen (\$35 billion dollars), some estimates say the number may be twice that.

"Without dealing with the financial bad loans, Japan's economy cannot recover," Obuchi said. But he gave no details about what he will do.

The new government is under heavy international pressure to move fast. In Washington, US Deputy Treasury Secretary Lawrence Summers said he hopes the new government will boost economic growth, deal with the banking problems and accelerate deregulation.

"These economic imperatives remain present with the political changes," Summers said. "We hope the new Japanese government will move rapidly and effectively in each of these areas."