

Jakarta wants stable rupiah at any rate

JAKARTA, Aug 3: Indonesian President BJ Habibie said in an interview published today the stability of the rupiah currency against the dollar was more important than the rate at which it stabilised, reports Reuters.

The Kompas newspaper quoted Habibie as saying once the rupiah stabilised and market mechanisms were working, he would raise minimum wages and phase out government food subsidies.

"It's not important to me whether the value of the rupiah stabilises against the dollar at 10,000 or 12,000 rupiah. I don't care. I care that it is stable," he said.

Kompas quoted him as saying 7.9 billion dollars in aid granted to Indonesia last week by international donors would be used to purchase rupiah, while the printing of new money would be stopped.

The increased rupiah demand would strengthen and stabilise the currency, leading to lower inflation and interest rates, and increase economic activity leading to a rise in gross domestic product, he was quoted as saying.

Official expectations are for a 10-15 per cent contraction in GDP this year, zero growth in 1999 and a return to modest growth in 2000. The International Monetary Fund has said it expects the rupiah to reach around 10,000 to the dollar by the end of the year.

98,800 S Korean students unable to pay for lunches

SEOUL, Aug 3: The number of children in South Korea not able to afford to pay for lunches has reached nearly 100,000 as the country struggles to cope with rising unemployment, a survey said today, reports AFP.

A total of 98,800 students from elementary and junior high schools across South Korea are skipping lunches every day, a survey conducted by the Korean Confederation of Teachers' Association (KCTA) said today.

The survey showed students in the capital city of Seoul totalled 16,300, a 53 per cent increase in three months.

"We fear the number will grow as more parents become unemployed and families undergo financial problems," a KCTA official said.

The KCTA said 59,400 children in elementary schools, where lunch is prepared and provided by school authorities, did not have the money to pay for lunches.

Support for these children from the government are not enough, the KCTA said, adding that at least 6.3 billion won (5.1 million US dollar) was needed to feed these students on the coming fall semester.

Recent official figures showed unemployment in South Korea jumped from 4.5 per cent in January to a 20-year-high of 7.0 per cent in June, leaving 1.53 million people out of work.

The unemployment rate in the capital has also soared to 408,000 in June, double that reported in January.

Russia's striking miners continue railroad blockade

MOSCOW, Aug 3: With an electricity blackout looming, striking coal miners maintained a railroad blockade for a 10th day Monday outside the main power station on the eastern Russian island of Sakhalin, reports AP.

The protesters have prevented coal from reaching the power plant, and officials have begun to ration electricity on the island, the ITAR-Tass news agency reported. One of the plant's electricity's generating units already has been shut down, and the second only has enough coal for a few more days.

Ivan Malakhov, the first deputy governor of Sakhalin, said the blockade was illegal and hinted that authorities could use force to remove the miners from the railroad line.

"We will not allow (the miners) to put out the second power generation unit," Malakhov was quoted as saying by ITAR-Tass.

The miners have vowed not to lift the blockade until they are paid eight months of overdue wages.

The strike is one of many periodic miners protests that have taken place across Russia since May to demand overdue wages. However, the protests have been largely uncoordinated and have not inflicted significant damage on the economy.

Sakhalin is not connected to Russia's national power grid, so much of the island is dependent on the plant's operation for electricity. About 650,000 people live on the island.

Many of Russia's coal mines have been losing money for years and the government has been trying to shut them down. Many coal companies have been nominally privatized, but still depend on significant government subsidies in order to pay their workers.

Tofail tells The Daily Star

Bangladesh to be among ten rich Asia-Pacific nations in 10 yrs

By Govinda Shil

Commerce Minister Tofail Ahmed expects Bangladesh would emerge as one of the rich countries in Asia and the Pacific region in next ten years. "It's not a day-dream," the minister said adding it is based on the econometrics of natural gas to be explored soon and on pragmatic government policy for the data entry and computer software industry.

"Bangladesh will definitely be one of the ten countries which will emerge as rich nations in the region," Ahmed claimed in an exclusive interview with The Daily Star yesterday.

"From a few million to several billion dollars is what the minister sees, awaiting the country's computer software and data processing industry in the global export market."

"This new product will help us earn export revenue to the tune of US\$ 10 billion in the next few years," Tofail Ahmed said.

He said, Bangladesh has huge gas reserves which will act as an engine of growth. We will definitely meet our local demand first. If we are left with surplus stock, we will preserve it for our future generations ... and then think of exporting.

There is a package of incentives for reviving the leather sector. We are thinking about

introducing cash incentive on finished products, he said adding finished leather fell short of target by US\$ 15 million in the last financial year.

He talked about some loan-defeating tannery businessmen and said that the default culture was acting a bar to government move to help others in the sector. The minister said that he would mull over introducing a 10 per cent cash subsidy on the export value of finished products.

Ahmed said that he would look into the reasons as to why the procedures of formulating a favourable jewellery export policy was being delayed. He strongly advised the exporters to report him as soon as they face any problem with their foreign sales.

Bangladesh does not have any effective jewellery export policy. This is why the country failed to ship several hundred kg of gold ornaments to the Middle-East markets in the past.

The minister said that Bangladesh's export trade with the regional countries was growing fast due to what he said the government's hearty initiatives. "Bangladesh is experiencing the highest growth in its export trade in the sub-continent," he said, adding India's

export grew by only two per cent while Pakistan had a negative growth this year.

"We are having a 17 per cent export growth because the government is encouraging exporters by offering them various (fiscal and non-fiscal) incentives, listening to their problems and implementing their suggestions. Those are also the main reason for our export growth."

The country's exports fetched US\$ 5.16 billion in 1997-98 financial year, which represents a 17 per cent growth. The Commerce Minister hoped that the country could sustain the growth level in the coming years, because the indigenous economic factors were in favour of the exporters.

The minister said that he had no other option but to continue the cash subsidy on exports of jute twine, because its international market was dull. Raw jute and jute goods fell short of their export targets by US\$ 44 million during the last fiscal, the Export Promotion Bureau statistics revealed.

The governments in the past had posted only 12 to 13 per cent export growth as they did not award the exporters any incentive. Tofail said and promised that he would sit with the exporters from leather and other sectors those who are

having problems. Bangladesh, which exports 7 major items, will soon include fresh items in its export list. Such possible items for fresh markets are: Cut and polished diamond, toy and jewellery.

The country's participation in international trade fairs is expanding. The participation has now increased to 42 international fairs per year against only 19 previously.

The country was facing problems in its financial transactions with the former Soviet Union countries and Myanmar, because these countries have socialist economies without any modern banking facilities.

The minister also expressed his optimism about a good rise in intra-SAARC trade which now stands at 4 per cent. Bangladesh is strongly pursuing India, Pakistan and Sri Lanka to ease the rules of origin criteria i.e. relaxing the 40 per cent value addition condition to 20 to 40 per cent, to avail duty free access to those markets.

Tofail hoped that India would accept Bangladesh's proposal to facilitate the transformation of SAPTA into SAFTA. "India must give Bangladesh facilities on a non-reciprocal basis," said the minister.

Nissan to stop making 200SX coupe in US

TOKYO, Aug 3: Nissan Motor Co Japan's struggling No. 2 automaker will stop producing and marketing 200SX subcompact coupes at its Tennessee plant in 1999, a newspaper reported Monday, reports AP.

The decision is part of Nissan's efforts to restructure its debt-ridden North American operations, the Nihon Keizai newspaper reported, quoting company sources.

The two-door cars are the first models affected by Nissan's group-wide restructuring programme, announced in May, the report said.

Local production of the 200SX - known as the Lucino in Japan - started in April 1995, at the company's plant in Smyrna, Tennessee. The model was among Nissan's top products in the US market, selling 42,000 units in 1995, reported the paper. Japan's top business daily.

But sales fell to 7,700 cars in the first six months of 1998, partly due to the overall popularity of sports-utility vehicles, it said.

The daily said Nissan plans to start producing sport utility vehicles in the United States beginning next year.

Nissan has also been hit by domestic sales declines along with Japan's slumping economy.

Female workforce doubles over decade in Egypt

CAIRO, Aug 3: The number of working women in Egypt nearly doubled from 1986 to 1996 but they still lag far behind their male counterparts, a state-run statistics agency said yesterday, reports AP.

The Central Agency for Public Mobilisation and Statistic (CAPMAS) said the number increased from 1.398 million in 1986, out of a total of 12.8 million workers, to 2.619 million in 1996.

But men continued to hold the upper hand with a male workforce of 11.406 million in 1986 and 14,527 million a decade later, CAPMAS said.

CAPMAS Director Ihab Elwi said the survey covered the ages of 15 to 60, but not students or housewives.

Egypt has 61.7 million inhabitants and an annual population growth rate of 2.1 per cent, CAPMAS reported in March.

Shipping Intelligence

Table titled 'Chittagong Port Berth position and performance of vessels as on 3.8.98' with columns for Berth No, Name of vessels, Cargo, L. Port call, Local agent, Date of arrival, Leaving.

Table titled 'Vessels due at outer anchorage:' with columns for Name of vessels, Date of arrival, L. Port call, Local agent, Cargo, Loading port.

Table titled 'Tanker due:' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Vessels at Kutubdia' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Vessels registered:' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Vessels at outer anchorage: Ready on:' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Vessels not ready:' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Vessels awaiting instruction:' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Vessels not entering:' with columns for Name of vessels, Cargo, Last port call, Local agent, Date of arrival.

Table titled 'Movement of vessels for 4.8.98' with columns for Outgoing, Incoming, Shifting.

The above are the shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.

Thai package to fix banking system soon

BANGKOK, Aug 3: The Thai government will announce a comprehensive package to fix the country's battered banking system on August 15, a senior government official said Monday, reports AP.

Kobsak Chutikul, director-general of the Department of Information of the Foreign Ministry, said Monday that the Finance Ministry and the Thai central bank would announce the plan to solve problems at local banks and finance companies.

August 15 also marks the first anniversary of Thailand's acceptance of the 17.2 billion dollars rescue package from the International Monetary Fund.

Since Thailand's financial crisis erupted July 1997, the government has shut down 56 insolvent finance companies and has taken over seven weak ones. It has also taken over four banks, writing down their capital to almost zero before appropriating them.

The Bank of Thailand said earlier this year that it may take action against banks that fail to complete a first round of mandated capital increases by August 15.

Thai banks have been ordered to increase their capital funds because their reserves dwindled when the country's currency, the baht, was floated last July and subsequently lost more than 30 per cent of its value.

The banking sector index plunged by 3.2 per cent when the Thai stock market opened Monday on expectations that Thai financial authorities may take further action against weak banks.

Consumer price index rises by 10 pc

Another report says: Thai consumer prices rose 10 per cent year-on-year for the month of July, while wholesale prices jumped 19.5 per cent, the Commerce Ministry said Monday.

The consumer price index rose to 128.9, up 0.1 per cent from June. In June, the index was up 10.7 per cent year-on-year, the biggest increase in a decade, while the wholesale price index shot up 20.7 per cent.

Noting the slight slowing of inflation from June to July Withoon Tunanond, deputy director-general of the ministry's Business Economics Department, said he expected the downward trend to continue in August.

The float of the Thai baht on July 2, 1997, and its subsequent depreciation by more than 36 per cent has doubled the inflation rate from levels seen in the first half of 1997.

Analysts said monthly year-on-year figures should begin to decline as the comparisons will be to the months after the float of the baht, when prices had already begun to rise.

Food and drink prices declined 0.1 per cent from June. The year-on-year increase in July was 11.8 per cent. Food prices account for 35.28 per cent of the consumer index.

Rice and starch products accounted for the biggest jump in the category, rising 27.0 per cent year-on-year, but declining 0.7 per cent month-on-month.

Non-food prices rose 9.0 per cent year-on-year in July, and 0.2 per cent from June. Tobacco and alcoholic beverages accounted for the biggest increase in the category, rising 26.6 per cent year-on-year.

Prices of agricultural and food products in the wholesale index also started to drop. Withoon said. The category rose 22.8 per cent year-on-year, but fell 0.2 per cent from June.

In the manufacturing sector, wholesale prices were up 17.4 per cent year-on-year in July, and recorded a 0.2 per cent increase from June.

NEC Corp to cut capital spending

TOKYO, Aug 3: Sluggish sales have forced Japanese semiconductor maker NEC Corp. to cut capital spending on chip production by 16.6 per cent to 150 billion yen (1.03 billion dollars) this year, the company said Monday, reports AP.

The Tokyo-based NEC will also postpone its scheduled start-up of a new domestic chip-manufacturing plant by one year to early 2000, a company spokesman said.

The NEC spokesman, speaking on condition of anonymity, said the company will also shelve plans to rationalize its chip-production lines at domestic plants for the fiscal year, which will end March 31, 1999.

NEC, Japan's top semiconductor maker, originally planned a total of 180 billion yen (1.24 billion dollars) in capital spending on chip production.

NEC, which has been the only major semiconductor maker enjoying strong earnings to date, expects revenues to fall in the current fiscal year partly due to a larger-than-expected fall in memory chip prices, the spokesman said.

The spokesman said NEC plans to raise output of 64-megabit chips from the current monthly figure of nearly 8 million to about 10 million by December. NEC had originally planned to boost monthly production to 15 million chips by mid-1999.

But the company said it will sharply slash production of 16-megabit memory chips from 6 million per month to 2 million in December.



Children protest, with utility bills in their mouths, against the recent price increase on Sunday in Lahore. Pakistani government met with severe criticisms for imposing new taxes to support their ailing economy after nuclear tests. — AP/UNB photo

Weekly Currency Forecast

Signs of Japanese inertia, yuan devaluation to hit Asian units

SINGAPORE, Aug 3: Signs of delay on reforms by Japan's new government and worries over increasing pressure on the Chinese yuan to devalue will cap the movements of Asian units in currency trade this week, reports AFP.

Most Asian currencies which ended slightly down or unchanged last Friday from their close the previous week will be unable to resist the yen's pull as markets further test the weakness of the Japanese unit.

"Markets will try to test the downside for the yen at 145 on the belief that the (Japanese) economy will take long to correct," said Eddie Lee, regional economist at Vickers Ballas Investment Research.

The yen fell to 144-levels last Friday from around 140 at

the start of last week.

"We won't see the yen sliding very rapidly as there will be some caution in the market but it will still affect the regionals," Lee said.

Keizo Obuchi formally took office as Japanese Prime Minister last week, inheriting the daunting task of resolving a seven-year economic slowdown in Japan, and appointing Kiichi Miyawawa as Finance Minister to share the burden.

The call that the rest of Asia would find difficulty in recovering from the crisis unless Japan moved "quickly and effectively" on its own economy was sounded by US President Bill Clinton.

In a telephone call with Obuchi on Saturday Clinton described Japanese recovery as

"critical to all of Asia."

Christopher Wood, global emerging market strategist at Santander Investment Securities Asia Ltd, said it was "increasingly obvious that a foreign exchange crisis is the catalyst necessary to shake Japan's leadership out of its lethargy."

Fears of a devaluation of the Chinese yuan pushed China's central bank the People's Bank of China to sell dollars in the currency market Friday.

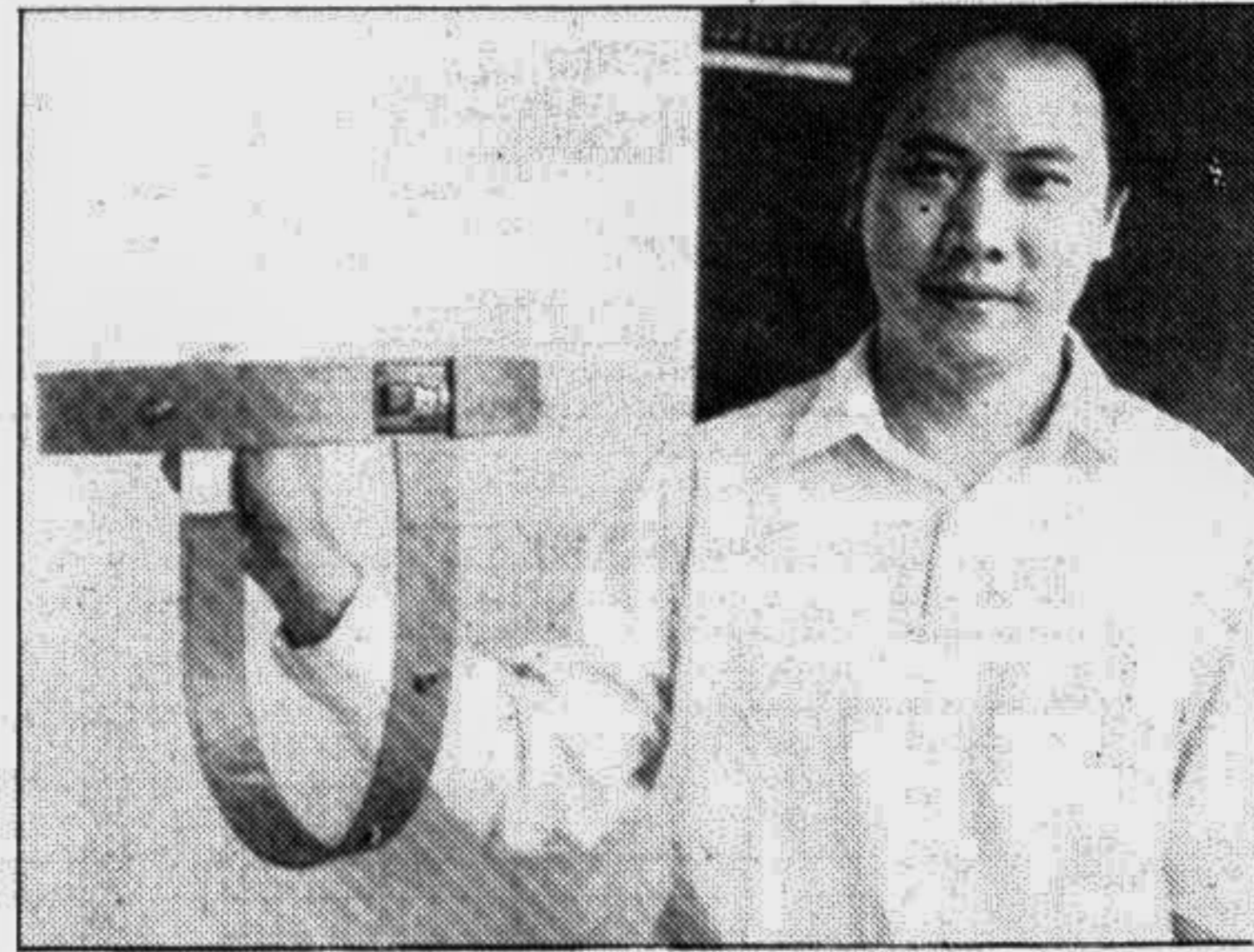
China has repeatedly pledged to maintain its official exchange rate of 8.27 yuan to the dollar, as authorities express concern that a yuan devaluation would force another round of currency depreciations across Asia.

The black market (in China) is small to influence the

exchange rate, plus there's the fact that the yuan is not fully convertible. But the black market has an effect on the psychology of the market," said Friedrich Wu, head of economic research, the Development Bank of Singapore Ltd.

"The main point is whether the yen will exert pressure to such an extent that China feels it is losing in terms of export competitiveness, capital inflows and investments."

Domestic developments, however, boosted the Indonesian rupiah and the South Korean won. The rupiah rose by 6.4 per cent last Friday to 13,000 against the dollar from the previous week's close, while the rupiah hit an eight-month high of 1,190 won mid-week before closing at 1,227 won.



Simon Sanjaya, an Indonesian-Chinese entrepreneur, shows his product of chastity belt at his office in Bandung, West Java, recently. The "anti-rape" corset, made of imitation leather and stainless steel and features a numbered lock, costs 100,000 rupiahs (\$7.50). An Indonesian women's group has called for a stop to sales of the device, arguing that its availability was a form of sexual harassment, a report said on Sunday. — AP/UNB photo