

Political turmoil pushes Indian rupee to all time low

NEW DELHI, Aug 13: Turmoil within the ruling coalition pushed the Indian rupee to record low, prompting the central bank to pump 100 million dollars into the foreign currency market to stem the slide, says AP.

The rupee hit an all time low of 43.35 to the dollar on Wednesday before the bank's intervention steadied the market. The rupee closed at 43, down from 42.92 at the opening of trading.

The depreciation followed massive dollar purchases by corporations worried over threats by the powerful regional ally to withdraw from Prime Minister Atal Bihari Vajpayee's government. Talks to one the crisis ended inconclusively late Wednesday.

The rupee has fallen steadily since India conducted a series of underground nuclear tests in May 1998 which invited international sanctions. Credit rating agencies lowered India's sovereign rating, affecting its borrowing capacity and growth rate.

The Reserve Bank of India may not intervene much further to prop up the rupee, the Economic Times newspaper reported Thursday. The government is not averse to the rupee settling at a lower rate set by the market, especially because of the depreciating currencies of India's main export rivals in Southeast Asia.

The currencies of Thailand, Indonesia, Malaysia and Korea have fallen by more than 60 per cent, benefiting their exports because they earn more in exchange for the dollar.

"Competitive devaluation has been talked about among a host of other issues to boost export competitiveness," a government official was quoted as saying in the Economic Times. But no decision had been made yet, the official said.

Russia to dip into IMF fund to pay off debt

MOSCOW, Aug 13: Russia's broke government will dip into IMF money already transferred to the country's central bank to help service its mounting debt Finance Minister Mikhail Zadornov said yesterday, reports AP.

Zadornov said that one billion dollars of the 4.8-billion dollar tranche, previously earmarked specifically to defend the rouble, would now be siphoned off to help the government out of its debt predicament.

"We have agreed the transfer of one billion dollars from the first tranche of the international monetary fund, which was originally intended for the central bank, will be used to finance budget spending," Zadornov said.

"The agreement was reached as a result of the visit to Moscow of IMF Deputy Director Stanley Fischer," he added.

The IMF originally insisted that the first tranche transferred last month, remain in the central banks' vaults to boost reserves.

"We will use this one billion dollars in August to finance the budget, including mainly redeeming government debt," Zadornov said.

Debt in the form of domestic government bonds and treasury bills has mounted ominously in recent months, triggering widespread fears of a debt default or rouble devaluation.

Sumitomo to pay \$99m over copper trade suits

TOKYO, Aug 13: Japan's Sumitomo Corp, said it would pay \$99 million dollars to settle six class action suits filed in New York over losses stemming from illegal deals by a rogue copper trader, reports AP.

While vigorously denying the plaintiffs allegations for the purpose of settlement with class members, Sumitomo has agreed to pay 99 million dollars without admitting any wrongdoing or liability," the company said.

Ten million dollars of the sum will be paid from a fund established as part of the company's settlement with the US commodity futures trading commission in May, a trading house said in a statement.

The move, subject to approval by court, will have "no major impact" on the firm's earnings for the year to March, a company spokesman said.

Sumitomo said in 1996 that it suffered losses of 2.6 billion dollars in unauthorised off-the-book deals by copper trader Yasuo Hamanaka.

Hamanaka, formerly known as "Mr five per cent" for the share of the world's copper market he controlled, was sentenced to eight years in jail in March on forgery and fraud charges in the world's biggest unauthorised trade scandal.

The plaintiffs in the New York suits represent a class of all person who traded copper futures or options on the comex division of New York merchant exchange between June 24, 1993, and June 15, 1996.

In reference to the settlement, Sumitomo President Kenji Miyahara said: "We are pleased to take yet another major step towards putting the copper incident behind us."

Asian recovery hinges on trade with Japan

TOKYO, Aug 13: Economic recovery in Asia is critical to Japan's ability to revive trade by emerging from recession and stimulating stagnant domestic demand, an official report said here, according to AFP.

"The recovery of Japan's economy is important for the stabilisation of east Asia economies," the Japan External Trade Organisation (JETRO) said yesterday in its annual white paper.

Even as imported Asian goods become cheaper, "Japan's imports from East Asia are unlikely to increase" without economic growth at home, it said.

Both exports to and imports from East Asia fell in 1997, the report said.

Exports to East Asia fell 1.9 per cent, dropping for the second consecutive year. Imports from the region declined for the first time since 1986, dropping 4.2 per cent from a year earlier.

The report urged Japan to take a more active role in the

creation of an international system of cooperation" to strengthen the industrial base in Asia.

The trade organisation, which operates under the Ministry of International Trade and Industry, said new rules on the financial system and better understanding of shifts in short-term capital were required.

It warned against protectionist measures in Asia following the outbreak of the currency crisis in July 1997, citing Malaysia for raising construction machinery tariffs and Thailand for increasing steel import tariffs.

"Having accepted the merits of free international trade and investment and committed themselves to promoting liberalisation, Asian countries should restrain themselves from acting against liberalisation."

The JETRO report said the euro currency which starts next

January would help diffuse concentration on the dollar and stabilise currency markets, but the yen could also play a role.

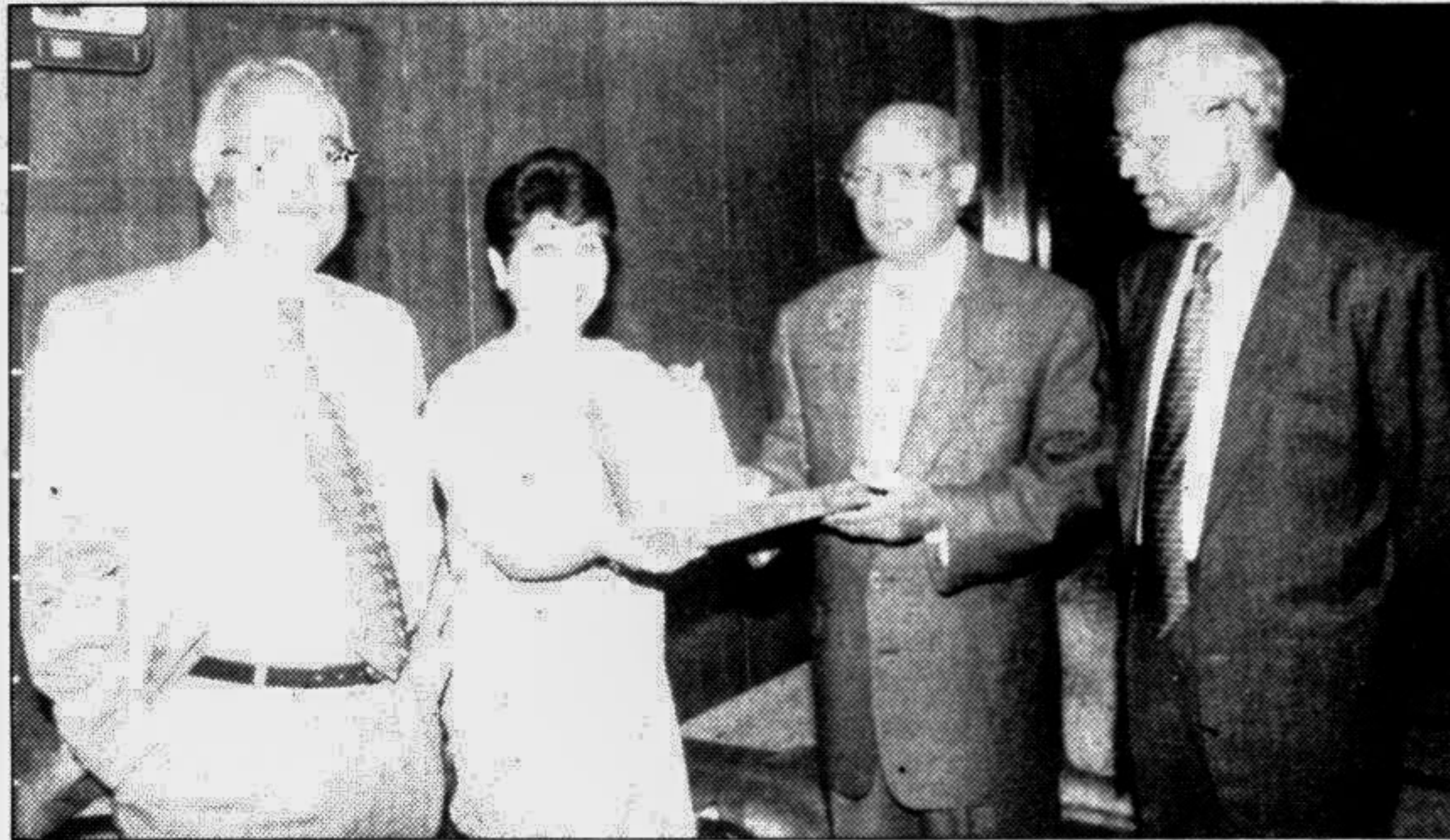
"If the yen becomes more international along with the euro, East Asia's over emphasis on the US dollar will ease and help stabilise regional currencies," it said.

The JETRO report said Japan's overall imports dropped in 1997 for the first time in five years due to the sluggish domestic demand.

Imports fell 2.9 per cent from a year earlier to 340.4 billion dollars while exports rose 2.5 per cent to 422.9 billion dollars, the report said.

Japan's trade surplus in 1997 surged 33.5 per cent to 82.5 billion dollar, said the organisation.

But Japanese exports to the United States were up 4.8 per cent from a year earlier with European-bound shipment rising 4.2 per cent.

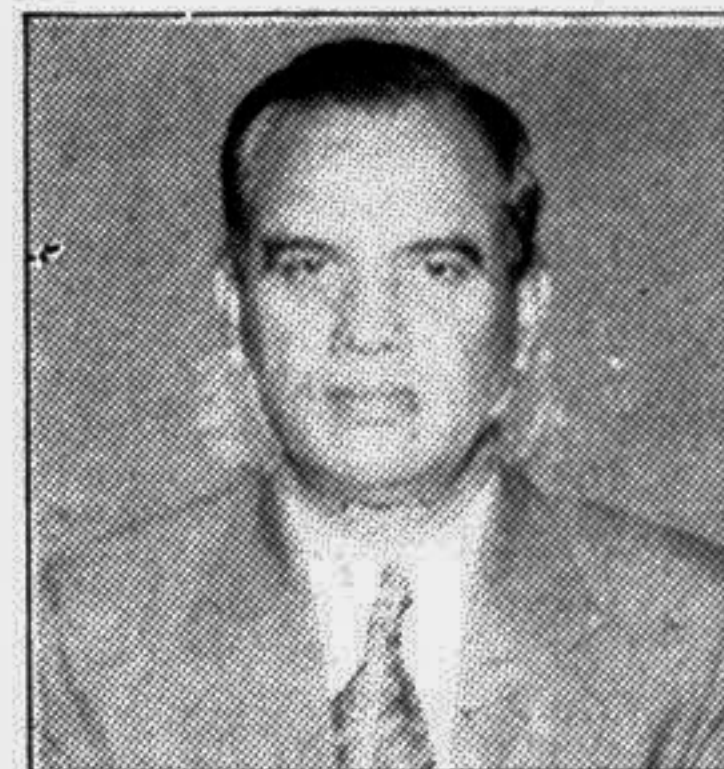


Commerce and Industries Minister Tofael Ahmed receives a BEA crest from Rokia A Rahman, President of Bangladesh Employers' Association, at his office on Wednesday. New vice-president of the Association M A S M Quasem and secretary-general C K Hyder are also seen. — BEA photo

'Malaysia needs to lower imports'

KUALA LUMPUR, Aug 13: Malaysia needs to reduce its imports and boost the use of locally produced goods to aid its recovery, Prime Minister Mahathir Mohammad said Thursday, reports AP.

The trade surplus in the first half of the year was encouraging as it showed the people supported the government's move to encourage the use of local goods, he said.



New chairman of Agrani Bank

Star Business Report
Md Matiur Rahman, a former secretary of the government, has joined as the Chairman of Agrani Bank, says a press release issued yesterday. Prior to taking over the new charge, he was the Chairman of Bangladesh Shilpa Bank (BSB). During his tenure in the government service, Rahman served in responsible positions in various ministries including finance, planning industry and commerce. He was also the chairman of the Privatisation Board.

Yen falls sharply

TOKYO, Aug 13: The Japanese yen fell sharply today as intervention fears lifted and economic gloom was compounded by the threat of a Russian devaluation, traders and analysts said, reports AP.

Just a day after staging a fragile recovery from Tuesday's eight-year low of 147.64 to the dollar, the yen was battered by Russia and a report that US authorities would not join any Japanese intervention, they said.

"It's Russia," said Russell Jones, chief economist at Lehman Brothers Japan.

A US newspaper report that Washington was unwilling to join Tokyo in any intervention to help the yen, last staged jointly in June, also depressed the market, said Pelham Smithers, strategist at Ing Barings.

Japan was unlikely to have a lasting effect on the yen if it stepped into the market alone, he said, noting that its efforts to do so last April proved costly and short-lived.

At 5 pm (0600 GMT) the dollar had recovered slightly to 146.54-57 against the dollar from a low of 147.16 about three hours earlier. It was sharply down from 145.90-93 yen here late Wednesday.

Bank of Japan Governor Masaru Hayami told a regular news conference of his "strong personal belief that a strong currency is in the country's best interest."

"There is a market view that the yen has fallen too far judging from the significant surplus that Japan has been posting at the current account level," he said.

Japan's current account surplus surged more than 50 per cent in the first half of 1998.

But this was mainly because of a sharp drop in imports caused by the recession.

A monthly report by the Bank of Japan said the economy was worsening and the government's record-high spending programme may not bring a promised recovery.

Trouble in Asia also loomed, with Hong Kong's stock market closing 2.9 per cent lower at five-year lower.

"Falls in the Hang Seng index in Hong Kong and mounting concerns about the stagnant economy in the entire Asian region weighed on the yen," said Yuichi Kato, a dealer at Bank of America.

A dealer at Fuji Bank said the market now believed Asia would be sick for some time.

"In addition, there is another Chinese high ranking official who reportedly did not deny the possibility of devaluing the yuan," analysts warned a yuan drop would trigger a fresh round of Asian currency falls.

A dealer at Westlandbank agreed Persistent speculation about the yuan was undercutting the yen.

"As rumours of speculation surrounding a possible devaluation of China's yuan always emerge towards the weekend, moves to buy the dollar strengthen towards the weekend," the dealer said.

Fears of a rouble devaluation were fuelled by Russian central bank official Sergei Alexashenka saying limits on purchases of foreign currencies would come into force Thursday, said Jones of Lehman Brothers.

A rouble devaluation would strike at other fixed exchange rate regimes such as Hong Kong and China, the economist said.

Asian crisis fall-out Global economy may plunge into doldrums

BONN, Aug 13: The world economy could plunge into a weak period due to the fall out impacts of the Asian financial crisis, a leading German economist lamented, says Xinhua.

In an interview with the German ZDF Television network, Norbert Walter, chief economist of Germany's Deutsche Bank said that the United States and Europe have for a long time underestimated the economic problems in Asia.

The Europeans must now bear the consequences and support Japan more strongly, Walter said.

He also expressed pessimism over the economic outlook of Germany. "We could be happy if we escape with only a black eye and weak economic growth."

Goh urges quick implementation of AFTA

SINGAPORE, Aug 13: Singapore Prime Minister Goh Chok Tong, has urged for earlier implementation of free trade area in Southeast Asia, saying this would help restore economic confidence in the area, reports AP.

The Association of South-east Asian Nations plans to set up the ASEAN Free Trade Area by 2003 in Singapore, Indonesia, Thailand, the Myanmar, and Laos are to join the programme by 2008.

"Advancing the AFTA timetable will send a powerful signal to international investors of the determination of ASEAN countries to open their economies to trade and investments," Goh said late Wednesday in a meeting with his Laos counterpart Sisavath Keobounphanh.

"To restore confidence in the ASEAN economies, the realisation of AFTA has become even more urgent," Goh added. He did not offer any details.

Goh reiterated that the region, struck by the serious economic crisis for more than a year, "could turn the financial crisis to advantage, by confronting difficult economic issues and introducing much-needed measures to reform and strengthen our economic and legal framework."

Also Wednesday, Laos and Singapore signed an agreement abolishing visa requirements for diplomats and officials.

Eastern German economy on right track

BERLIN, Aug 13: The Eastern German economy is "on the right track," even if some time will be needed to attain satisfactory levels of output and employment, three economic research institutes said in a joint report published yesterday, says AP.

In 1997, economic growth slowed in the former communist East Germany to a rate slower than in Western Germany, the three institutes—Berlin-based Diw, KfEI-based IFW and IWH in Halle — said.

Nevertheless, Eastern Germany should not be seen as the "poor cousin" of the economically more important western part of the country, the institutes said.

The comparatively slight increase in economic output is primarily due to the decline in construction output, which has a very large weighting in the Eastern German economy, the institutes said.

"That disguises the fact that the manufacturing sector is now expanding strongly and is now, or so it appears, finding its own economic impetus."

An increasing number of East German industrial companies are fully competitive, the institutes said. They have modernised their machinery and updated their range of products, and are active in other regional markets and in research and development.

"But it can't be overlooked that a number of companies cannot put themselves out of the red" and some of these will go bankrupt in the near future.

DCCI for immediate EXIM policy implementation

Star Business Report

R Maksud Khan, President of Dhaka Chamber of Commerce and Industry (DCCI) in a statement laid importance on implementation of the provisions of the recently-announced Five-Year (1997-2002) Export and Import Policies, says a DCCI press release issued Wednesday.

The Export Policy fixed the value of export target at US\$ 32.3 billion for the period with an average annual growth of about 11.25 per cent during the period. It has also unveiled various incentives for the benefit of the private sector which deserves commendations.

The Import Policy has declared some policy provisions with a view to protecting local industries and their growth. To support the emerging entrepreneurs of Bangladesh, by making adequate and quality raw materials available for manufacturing purposes, the policy has announced some incentives.

Khan said that all the incentives declared in the EXIM Policy would prove helpful to the entrepreneurs if these are im-

plemented properly.

He said that the country's foreign trade policy needs to concentrate not only on the national issues but also on international issues. "There is an urgency to redress our foreign trade policies with a forward-looking approach matching the changing global scenario," Khan added.

In a competitive world environment where phenomenal changes are evident everywhere, policy support should be at par with the requirements of the entrepreneurs — the main stakeholders, DCCI president opined.

He said that the Five-Year Export Policy has offered some very positive and attractive incentives to the exporters of the country, which, among others, include enhancement of export credit from 180 days to 270 days; reduction of tax at source; construction of World Trade Centre and earmarking leather and leather goods.

He mentioned that our export is limited within two or three items.



Chairman of Central Insurance Company Ltd Alhaj Md Yusuf Chowdhury speaks at the half-yearly conference of the firm's Chittagong zone recently. Managing Director of the company Md Hashmat Ali is also seen. — Central Ins photo

Russia imposes new rules on currency trading

MOSCOW, Aug 13: As concern grew over the stability of the Russian rouble, the Central Bank imposed new rules Thursday on currency trading by commercial banks. Frightened bankers temporarily halted their foreign exchange trading, reports AP.

Trading also was halted on Russia's main stock exchange after the first 40 minutes of trading because the main index had dropped more than 10 per cent.

The new banking rules, adopted Wednesday night, were not considered very significant, but the fact that the Central Bank felt the need to take new measure contributed to a climate of foreboding in the Russian markets.

Concern is growing that Rus-

sia will devalue the rouble despite an influx of cash from the International Monetary Fund. The IMF loan was intended to bolster the beleaguered currency, which has been under siege since the Russian economy began to backslide earlier this year.

International stock market declines in the past week have helped push the Russian stock exchange into a sharp decline and intensified pressure on the rouble.

The rouble continued to fall against the US dollar and the German Mark on Thursday. On the interbank market, foreign exchange trading failed to start as usual Thursday morning, with bankers too frightened by the shaky situation to risk transactions.



Mosharraf Hossain, Chairman of Jams Trading International, speaks at the 5-year celebration and dealer conference held at a city hotel recently. The company is the sole distributor of S Korean Solite battery. — Jams photo

No plans to internationalise currency Singapore stock market hits new 10-year low

SINGAPORE, Aug 13: Singapore's stock market fell to its lowest level in more than 10 years Thursday, with the benchmark Straits Times Industrials Index skidding 1.9 per cent, or 19.02 points, to 976.75, reports AP.

The last time the index closed below this level was in May 1988.

The drift below the psychologically important support level of 1000 began on Tuesday, when markets opened after a Monday state holiday.

The index has plummeted more than 35 per cent since the start of the year, when it stood at 1529.84 points.

Fears continued on the market that China might devalue the yuan if regional currencies continue to come under pressure. This could spark another round of currency crisis, market observers said.

An institutional sales trader at a European broking house told Dow Jones Newswires that if Japan doesn't intervene to support the yen by the end of the month, Singapore's main index could fall to 900.

The weaker regional currencies, led by the Japanese yen, have weighed on the local bourse, dealers said.

The US dollar bought 146.33 Japanese yen Thursday morning, up from 146.26 yen in late New York trading Wednesday and 145.90 yen in late Asian trading Wednesday.

Meanwhile, stressing that the government has no plans make the Singapore dollar freely available on the global market, Deputy Prime Minister Lee Hsien Loong said Thursday the country would ease some restrictions for overseas use of the currency, even by foreigners.

83,058 Filipino workers seen losing jobs

MANILA, Aug 13: At least 83,058 workers are expected to lose their jobs in the Philippines in the first ten months of 1998, figures released here yesterday by the Department of Labour showed, says AP.

Of this number, 74,954 workers were retrenched from January to June 30 while another 8,104 are expected to lose their jobs from July to October 30, statistics showed.

The department added that 1,606 establishments resorted to closures or retrenchments in the first six months of the year while 123 are expected to close down or retrench from July 1 to October 30.

Economic reasons were cited as the main reason for the closures or retrenchments although no details were given.

The growth of the Philippine economy has slowed down considerably this year largely due to the effects of the regional currency crisis.

Sony Corp halts shipments of some video cameras

TOKYO, Aug 13: Japan's Sony Corp, has halted shipments of some video cameras after a magazine article showed their infrared technology can be used to see through clothing, company spokesman said today, reports AP.

"We feel an unbearable regret over such a use," the spokesman said adding the electronics giant had modified the popular handycam series to prevent its infrared "night shot" mode from being misused.

"We are shocked by the unexpected use as we had never dreamed of it," he said.

The "Takara-jima" fortnightly magazine, which dubbed itself "men's magazine," showed that the Sony cameras' 1,000 yen (seven dollars) filter enables users to see underwear of lightly dressed people or beneath swimsuits when the equipment is activated during daytime.

The Sony spokesman admitted the reported effects "under limited conditions."

The company has shipped 180,000 units of the cameras, the new remodelled cameras show only white pictures if their "night shot" mode is used in daylight.

Japanese current account surplus up 46 pc

TOKYO, Aug 13: Continuing over a year of increases, Japan's broadest measure of trade rose 46 per cent in June from a year ago, the government announced Thursday, says AP.

Japan's current account surplus, unadjusted for seasonal factors, was at 1,444 trillion yen (9.86 billion dollars) in June, up 46.2 per cent from the same month last year, the Finance Ministry announced.

The rise, higher than Tokyo-based economists had forecast, marked the 15th consecutive monthly year-on-year increase in the surplus.

The current account measures the difference between income from foreign sources and foreign obligations payable, excluding net capital investment.

Japan has come under increasing pressure to revive its sluggish economy to import more goods and cap the ballooning surplus.

Also, the ministry announced that for the first six months of the year through June, the surplus stood at 7,573 trillion yen (51.7 billion dollars), up 52.9 per cent from the same period last year.

BP, Amoco announce merger

LONDON, Aug 13: British Petroleum, which announced yesterday a merger with US energy giant Amoco, is the biggest oil producer in the United States and Britain, says AP.

Of the two, BP is the larger partner, taking 60 per cent of the new company, to be called BP Amoco Plc.

BP, founded in 1909 and privatised in 1979, had capital of 30.7 billion dollars in 1997 and revenues of more than 71 billion dollars.

BP had about 56,450 employees at the end of last year and more than 375,000 shareholders.

In 1997 it recorded global production of 1.25 million barrels a day of crude oil and liquid natural gas, as well as 1.66 billion cubic feet of natural gas a day.

Estimated net proven liquid reserves were 6.85 billion barrels, with estimated net proven natural gas reserves of 10.5 trillion cubic feet.

BP's new partner Amoco is the largest producer of natural gas in North America, and also a huge chemical products manufacturer and the first foreign oil company to search for oil on the Chinese mainland.

BP explores for energy in 16 countries and has production in 11 countries. In the United States, it is the top producer, accounting for more than eight per cent of the total output. It is also the top producer in the British part of the North Sea.

Most Asian stock prices fall

HONG KONG, Aug 13: Most Asian stock prices fell on Thursday, reports AP.

Tokyo's Nikkei index scratched out a tiny gain, finishing 3.05 points higher at 15,382.02, after eight straight days of losses.

The threat of Central Bank intervention initially kept the dollar in check, but the fears receded and the dollar advanced strongly in late trading.

The dollar bought 146.56 yen in late afternoon, up 0.64 yen from late Wednesday in Tokyo and also above its late New York rate of 146.44 yen overnight. It traded as high as 147.16 yen and as low as 145.86 yen.

Japan's weakness left the entire region gloomy. Even where stock prices and currencies rebounded, there was no confidence that things were turning for the better.

As it has for the last week, the Hong Kong index closely followed the fortunes of banking giant HSBC Holdings, whose stock was declining again Thursday. HSBC, which accounts for about 30 per cent of the index, fell 3.8 per cent on Thursday.

HSBC was one of several major Hong Kong corporations that reported poor first-half earnings last week, sending the market steeply lower.

Analysts, echoing comments Wednesday by Financial Secretary Donald Tsang, blamed the fall in the Hong Kong market on the weakness of the yen.

Japan's economic troubles are causing investors to worry that Hong Kong will be unable to keep its direct link to the US dollar, and that China will be forced to devalue its yuan currency.

Both Chinese and Hong Kong officials insist that won't happen.

which also face new worries about the US economy. Asian economies that long have focused on exports need a strong US market to help them out of their troubles. But volatility on Wall Street in the past week has raised questions whether a long period of strong growth is coming to a close.

Malaysia's Composite Index was down 4.5 per cent at 326.73 points. Analysts cited local economic weakness and uncertainty over whether Japan will turn around economically any time soon.

In the Philippines, the key Philippine Stock Exchange Index closed 0.3 per cent down at 1,303.29, a fresh low in five and half years. It had lost about 14 per cent of its value in the five previous sessions.

Other markets in the region: BANGKOK: Thai share prices ended slightly lower in moderate trading ahead of the announcement of a government plan to fix the battered Thai banking sector. The key index

fell 3.27 points to 230.87.

SEOUL: South Korean shares ended mixed on lingering worries over the weakened yen, with the key index falling 2.34 points to 303.01.

TAIPEI: The main index rebounded 0.15 per cent to 7,362.55 points. But traders said the rebound would be limited by Japan's weakness and worries about first-half earnings reports that are due out by the end of August.

WELLINGTON: Local political uncertainty over the future of the coalition government and a rise in short-term interest rates forced the New Zealand market to its lowest closing level in more than three and a half years. The key index closed at 1,913.72, down 38.67 points.

SYDNEY: Australian share prices closed lower for the seventh consecutive day on the Hong Kong market's fall and uncertainty surrounding the impact of the government's new tax package, dealers said. The key index closed at 2,541.2, down 9.8 points.