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DHAKA SATURDAY, AUGUST 15, 1998

Japan's corporate bankruptcies in July highest

TOKYO, Aug 14: Japan's banking crisis helped drive the number of corporate bankruptcies in July to its highest level since the end of World War II, a private credit research agency said Friday, reports AP.

Bankruptcies rose 35.7 per cent from the same month last year to 1,710, the highest number recorded for any month of July during the post-war period, Teikoku Databank Ltd. said.

The number of companies going out of business has risen at a rate of greater than 20 per cent per month for the past eight months, the Tokyo-based agency said.

It said the pace is expected to continue. Teikoku Databank cited the nation's banking crisis as the single biggest cause behind the rise. Japan's banks have triggered a credit crunch as they've diverted funds to writing off some 76.7 trillion yen (350 billion dollars) in bad loans.

The total debts left behind by the companies that folded in July fell 16.8 per cent from a year earlier to 906 billion yen (6.2 billion dollars), it said.

Mahathir praises China for not devaluing currency

KUALA LUMPUR, Aug 14: Prime Minister Mahathir Mohamad on Friday thanked China for not devaluing its currency, though he doesn't believe such a move would trigger another economic crisis in Asia, reports AP.

The situation is now different from one year ago. One year ago, in China had devalued its currency, it would have had very serious consequences," he said in an interview with the Chinese national news agency, Xinhua, released Friday.

"But today, because other currencies are devalued too far, even if renminbi devalues a bit, it will not affect us so much," Mahathir said.

Many economists predict that a devaluation, which would help China boost its exports, could pull down many Asian currencies struggling to recover from last year's crash.

Malaysia would like its commerce with China to grow and would welcome Chinese investments, Mahathir said.

"We have very little differences and we do not interfere in each other's internal affairs. The trade will grow and economic cooperation will also grow. There will be more investments in each other's country," he said.

Malaysia maintains close links with both Communist China and Taiwan, which Beijing considers a renegade province. In recent months, Mahathir's aides have traveled to Taiwan to seek finances to shore up Malaysia's recession-bound economy.

Mahathir predicted a greater role for China in the emerging multi-polar world.

"China, because of its size and because of its capacity, will become a world power, and that will balance the other powers. There will be multiple power structure."

Foreign investment in Thai projects drops 42 pc

BANGKOK, Aug 14: Foreign investment in approved projects in Thailand plunged 41.9 per cent in the first half of 1998 compared to the previous six months, officials said yesterday, reports AP.

Board of Investment (BOI) Secretary General Staporin Kavitanond said foreign investment had decreased in the six months to June in terms of the number of approved projects and their value.

For the first six months of 1998, only 403 projects were given approval, down from 480 projects in the second half of 1997.

The value of investments for the first half of this year dropped to 150.8 billion baht (3.6 billion dollars) from 214 billion baht in the previous six months, Staporin said the trend was likely to continue.

The focus of foreign investment also shifted to more labour intensive industries as the local currency plunged in value against the dollar following its devaluation last year, a BOI statement said.

The BOI said the weaker baht meant that the type of projects of interest to foreigners had changed from heavy industry producing for domestic consumption to labour intensive export.

"The type of investment has drastically changed from heavy industries which requires a lot of money, such as steel, automobiles and petroleum, to exports requiring intensive labour," it said.

Yeltsin calls for emergency session of parliament on economy

NOVGOROD, Russia, Aug 14: President Boris Yeltsin called on parliament Friday to convene an emergency session to respond to Russia's unfolding economic crisis, reports AP.

Yeltsin insisted, however, that the economy remained stable, that the rouble would not be devalued, and said there was no need to interrupt his month-long vacation to take charge of the situation.

"At this moment, there is no need for that," Yeltsin told reporters upon arrival at this ancient Russian capital north of Moscow. "Moreover, when the president rushes to the Kremlin, everybody thinks that something is wrong."

"There's a bit of short-covering and all kinds of rumours flying around about aid coming to Russia," said Dmitry Kryukov, a trader at the MFK Renaissance investment bank in Moscow. "This is a bounce, but I don't think this bounce will live long. I would not buy

into this strength." Deputies from the Group of Seven industrialised nations held a conference call Thursday to discuss Russia's deteriorating economic situation. Officials declined to say what further measure might be taken.

Trade on the rouble was almost nonexistent, with banks fearful of trading with each other. There have been growing concerns about the stability of some Russian banks. While no defaults have been reported, the Central Bank said Thursday that it was looking into particular problems with two major banks, SBS Agro and Inkom-bank.

Yeltsin flew by helicopter to Novgorod from a resort in the wild Valdai region. He was there to issue an edict restoring the old name of Novgorod Veliky, or Novgorod the Great, in honour of the city's 1,140th anniversary next year.

Despite having been on vacation since mid-July, the 67-

year-old president had bags under his eyes and his face appeared puffy. He walked slowly and seemed to have difficulty understanding reporters' questions about the economic crisis.

In recent days, the Russian stock market has accelerated its slide and the rouble has come under intense pressure, prompting fears of a devaluation.

"No, we are not going to devalue the rouble," Yeltsin insisted, adding that he thought the government had the economic situation under control.

Upon arrival, Yeltsin said he saw no need for a special session of the Duma to consider the remainder of the government's economic austerity plan. "I'm not considering this possibility for the moment, as there is no need," Yeltsin said. "I do not exclude it in the future."

Within an hour, however, he had apparently changed his mind. As Yeltsin arrived for a tour of a meat factory, his press

secretary, Sergei Yastrzhembsky, said Yeltsin had signed a decree calling on the Duma to meet.

It wasn't clear whether the decree invoked Yeltsin's constitutional right to mandate a Duma meeting, or whether he was merely requesting it.

The Duma has passed some portions of the government's austerity plan, which was demanded by international lenders, but recessed for the summer without passing all of it.

Duma leaders had been balking at calling a special session to reconsider the plan in light of the latest crisis, and there had been calls for Yeltsin to exercise his constitutional power to call a session.

Duma speaker Gennady Zyuganov met Thursday with Prime Minister Sergei Kiriyenko, and said afterward that he would consider calling a special session.

Russian stock market stages another spectacular crash

MOSCOW, Aug 14: The Russian stock market staged its third spectacular crash of the week on Thursday, plummeting 11 per cent in early trade before paring back losses as market players nervously anticipated a government debt default or rouble devaluation, reports AP.

The leading Russian Trading System (RTS) index crashed through the benchmark 100-point level at which it was launched in September, 1995, prompting a 35-minute suspension of trading.

Equities later recouped some of their losses after the day's second start at 12:15 pm (08:15 GMT). But by 4:00 pm the RTS index stood at 99.17 points, still down 8.39 per cent from Wednesday's close.

Some of Russia's most heavily traded companies, including oil giants Lukoil and Surgutneftegas, fell between 15 and 20 per cent in the first two hours of trading before recovering slightly. Market leader Unified Energy Systems stood at 0.0781 dollars in mid-afternoon trade having lost 10 per cent on the

day. Traders blamed the breath taking tailspin on a renewed slump on the government bond market — a prime indicator of confidence in the government's fiscal policies — as investors have zero confidence in the government's ability to redeem some 20 billion dollars worth of bonds before year-end.

Yields soared across the board on Thursday, the one-day paper offering a vertiginous 149 per cent, while a banking sector sell-off of three-month bonds sent yields screaming to 220 per cent before falling back.

Even yields on Euro bonds — government debt denominated in foreign currencies — have spiked upwards in recent days, the dollar-denominated paper maturing in 2007 yielding 26.5 per cent from 17 per cent a week ago.

"It's been a crazy two or three days," said Eric Jyweera, a fixed-income analyst with the MFK-Renaissance Financial Group. "There is no confidence in the government's ability to finance debt redemptions."

Currency reserves down \$1.4b Russia dismisses Soros's rouble devaluation suggestions

MOSCOW, Aug 14: Russia's central bank yesterday dismissed suggestions from billionaire financier George Soros that the rouble should be devalued rapidly, arguing this would further destabilise panic-stricken markets, reports AP.

Bank Deputy Chairman Denis Kiselyov told Interfax news agency that devaluing the vulnerable Russian currency by the 15-25 per cent suggested by the Hungarian-born investor would merely give a green light to speculators to prey further on the Russian currency.

"Carrying out the measures suggested by Soros will not allow us to carry out the tasks before the government, but will make the financial markets nervous and create conditions for speculative gambits," Kiselyov said.

His words were echoed by Alexander Liveshits, President Boris Yeltsin's Economics Advisor, who said that devaluation would not solve any serious economic problems. "Interfax reported."

"This move will not help collect taxes or balance the budget," Liveshits said, referring to the Russian government's perennial headache. "Nor will it promote reform or ensure the

payment of back wages to the workers of state-run enterprises."

In a letter to the Financial Times, Soros called on the government and central bank to peg the rouble to the euro or the dollar at 15-25 per cent below current rates to reflect a fall in global oil prices.

Oil is Russia's largest hard currency earner and the collapse in prices has been a prime factor in the country's economic crash, which has touched new depths this week.

The meltdown in Russian financial markets has reached the terminal phase," Soros wrote. "The banking system is, to all intents and purposes, pretty well wiped out."

The central bank, whose reserves dropped 1.4 billion dollars to 17 billion last week in defence of its anaemic currency, stressed that it has the situation under control.

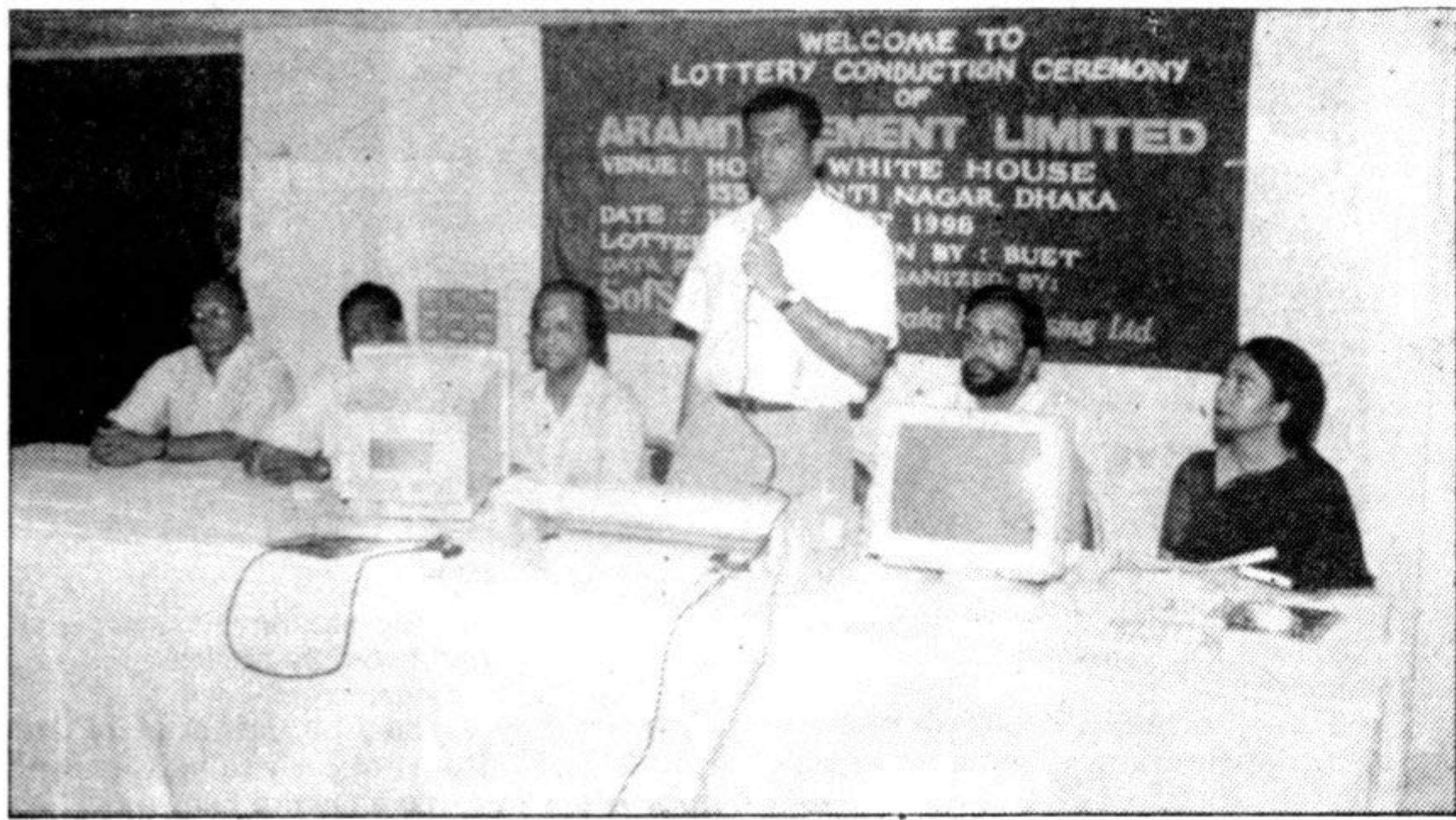
"We are watching the situation closely," said bank spokeswoman Irina Yasina. "We know well where the illness is that it needs urgent attention in every possible way."

"We have our hand on the pulse," she added. Another report says, Russian central bank's gold and hard currency reserves fell by 1.4 billion dollars in the space of a week to 17 billion dollars at the end of last week, the bank said in a statement yesterday.

The bank's reserves stood at 18.4 billion dollars on July 31, having been boosted by the injection of 4.8 billion dollars from the International Monetary Fund, the first instalment of a new loan for the ailing Russian economy.

Reserves stood at 19.2 billion a week earlier. The IMF loan was primarily intended to buy some breathing space for the bank, which has spent more than seven billion dollars since last autumn trying to prop up the rouble.

The rouble, battered this spring by the storm lashing Russia's financial markets, has edged lower in recent weeks. On Thursday the rouble was changing hands in interbank trading at 6.299 to the dollar.



Aramit Cement Limited conducts share distribution lottery at a city hotel on Wednesday. Aramit photo

Howard tells businessmen Tax reform to help protect Australia from Asian crisis

ADELAIDE, Australia, Aug 14: Prime Minister John Howard Friday said that if implemented, his tax reform plan would help protect the Australian economy from the impact of the Asian economic crisis, says AP.

Howard told a business lunch that the economic problems in Asia were no excuse for not pushing ahead with fundamental change in Australia.

"I would like this tax plan not to be seen in isolation," Howard said. "But rather I want it to be seen as the next logical, very significant step that has to be taken, in order to strengthen the Australian economy."

"It is because of what is happening in the Asia Pacific region that it is all the more necessary that we go the next step, we travel the additional distance that is needed to strengthen the Australian economy."

Howard said tax reform was part of his government's continuing programme to strengthen the economy and follows programmes which returned the national budget to surplus and delivered low inter-

est rates and low inflation. "Taxation is part of that economic continuum, it is not something that is unrelated to what we've done in other areas," he said.

"It is all part of a steady, measured plan to strengthen and make modern the Australian economy... to equip the Australian economy for the 21st century."

In sweeping reforms outlined Thursday, Howard proposed to introduce a broad-based 10 per cent consumption tax to replace a host of sales and state taxes. Most European governments have had similar consumption taxes since the 1970s.

The plan also includes personal income tax cuts and streamlined social security payments worth more than 7.8 billion US dollar (13 billion Australian dollars).

The plan will take effect from July 1, 2000. If it is approved by voters at the coming elections. The plan must also pass parliament's upper house, the Senate, where the government currently does not have a majority of seats.

Asia's recovery 2 to 3 years away

SINGAPORE, Aug 14: Asia's recovery from the financial crisis is two to three years away, mainly because stronger economies such as Hong Kong are slipping into recession, Hong Kong's chief secretary Anson Chan said Friday, reports AP.

"Recovery, which we had hoped would come sooner, now appears to be further on the horizon — perhaps two to three years away," Chan said in a speech. "Some of the stronger regional economies, such as ours, are slipping into recession."

She told the Singapore International Chamber of Commerce. "A deflating Japan could not only lengthen recovery in Asia, but derail it altogether. In addition, the stability of the (Chinese) renminbi and the Hong Kong dollar must be maintained as the anchors of currency strength in Asia."

The renminbi, China's currency, is also called the yuan. Japan's ailing economy and a fears of a possible devaluation of the Chinese and Hong Kong currencies have continued to spook Asian markets in recent days, casting doubt over a recovery anytime soon.

Barge-mounted power plants KPCL launches trial production Aug 17

From Staff Correspondent

KHULNA, Aug 14: The 110-megawatt barge-mounted power plant of Khulna Power Company Limited (KPCL) is expected to go into commercial production soon after its formal inauguration on September 7 by Prime Minister Sheikh Hasina.

The plant is a private-level joint venture project. The chairman of KPCL Mohammad Aziz Khan said that everything was set for going into production within the stipulated time. He said that a team of experts was likely to arrive in Khulna from Singapore for carrying out the experimental works.

The chairman said, production in the two barge-mounted power plants will begin from August 17 only on experimental basis before going into commercial production.

Set up on the bank of Bhairab river at Gopalpara at a cost of 10 crore US dollars, the barge 'Tiger-1' has nine engines, while barge 'Tiger-3' has ten engines. Tiger-1 has the capacity to produce 54 megawatt, while Tiger-3 is expected to generate

56 megawatt of electricity, the KPCL chairman said. KPCL is a joint venture project with Finland's Wartsilla NSD having 75 per cent share, while Summit Group and The United Enterprises of Bangladesh own 12.5 per cent share each.

PDB will purchase power from KPCL at the rate of 5.8 US cent per kilowatt under a 15-year agreement signed on October 16, 1997, the KPCL chairman said. Furnace oil will be used for production in this plants since it is less expensive, said Aziz Khan.

US jobless claim down

WASHINGTON, Aug 14: US jobless claims for regular state unemployment benefits fell 7,000 to a seasonally adjusted 301,000 for the week ended August 8 from a revised 308,000 in the previous week, the Labour Department said yesterday, says AP.

Business Briefs

Philippines posts trade surplus

MANILA: The Philippines posted its first trade surplus in nearly a decade in June as slowing economic growth and a weaker peso dragged down imports.

June's 130 million trade surplus was a dramatic turnaround from the 903 million deficit registered a year earlier.

For the first six months of the year, the trade deficit narrowed to \$1.4 billion from \$5.6 billion in the year-earlier period, according to figures released Friday by the government.

Exports for the six-month period rose 18.8 per cent to \$13.9 billion while imports increased 11.3 per cent to \$15.3 billion.

The Philippines last turned a trade surplus in December 1988. The surplus then was \$80 million.

For June alone, exports rose 12.3 per cent to \$2.39 billion while imports dove 25.3 per cent to \$2.26 billion.

In a sign of slowing economic growth, imports of industrial machines and equipment fell 37.8 per cent to \$146.9 million.

Economists expect the trade deficit will narrow further as imports continue to contract because of the slowdown in economic activity, caused by a drought attributed to the El Nino weather phenomenon.

Sales at Tokyo stores fall

TOKYO: A slump in consumer spending drove down sales at Tokyo department stores for a third straight month in July, an industry association said Friday.

Sales at Tokyo-area department stores totalled 221.7 billion yen (\$1.5 billion) in July, down 5 per cent from the same month a year earlier, the Japan Department Stores Association said.

The association said sales have dropped 15 of the last 16 months, following an increase in the national sales tax in April, 1997, that many economists blame for helping send Japan into recession.

Sales of clothing, which account for one-third of all department store sales, fell 2.5 per cent to 80.6 billion yen (\$555 million).

'HK-US dollar link to be maintained'

SINGAPORE: Hong Kong's chief secretary gave strong assurances Friday that the despite market pressure the Chinese currency will not be devalued and the Hong Kong dollar will remain tied to its US counterpart.

"In the face of the regional currency devaluations, many have questioned whether we can maintain the Hong Kong-US dollar link," Anson Chan said in a speech to the Singapore International Chamber of Commerce.

"Our argument remains — we cannot afford to lose the link," she said, comparing the cutting of that link to the severing of a lifeline for the region.

Many are also worried that China will devalue the yuan — also known as the renminbi — to remain competitive in trade with its neighbours. But Chan referred to statements by Chinese leaders that devaluation is not necessary.

"I think that the leaders are fairly committed to defending the renminbi," she told reporters afterward. "It will not be devalued because it is not in China's national interest to do so."

A move to either devalue the yuan or cut the link with the US dollar could set off a string of currency devaluations around the region similar to the ones last year that led to Asia's current financial crisis.

Japan auto exports to LatAm states up

TOKYO: Facing weak demand in key Asian and Western markets, Japan's automakers are boosting exports to Latin America and the Middle East, an industry group said Friday.

Automakers shipped 256,000 cars to Central and South America in the first six months of 1998, up 30 per cent from the same period last year, the Japan Automobile Manufacturers Association said.

That's the most cars Japan has ever exported to the region, the association said.

Kingdom in the sky comes down to earth with a bump

By Alan Martin

For more than a century, South Africa's goldmines have provided jobs for thousands of workers in the region. The current slump in the industry, reports Gemini News Service, has brought widespread hardship and economic dislocation.

Johannes Khesuoe is a broken man with a precious dream. Until his retrenchment four years ago, Khesuoe provided for his wife and seven children by working in the goldmines across the border in South Africa.

Now desperate and destitute — his 3,000 rand severance package long since spent — the 20-year veteran of the mines hopes against hope for a chance to return to Ego, the famed "City of Gold".

Almost every morning at eight, Khesuoe and about 100 other laid-off workers wait outside the offices of a mine-recruiting agency in Maseru.

On some days, a man in a green suit comes out, chooses a few workers and quickly shepherds them into the nearby office to sign a contract.

The man in green has not appeared for a long time, and life in the small, mountainous "kingdom in the sky" has become increasingly bleak.

"I have many problems to solve, but no money," says Khesuoe. "There are always quarrels with my children, who blame me for not having money."

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"I have many problems to solve, but no money," says Khesuoe. "There are always quarrels with my children, who blame me for not having money."

"Since 1987, a slump in the South African mining industry

has resulted in the lay-off of more than 200,000 miners, with devastating effects on many rural economies in southern Africa. Lesotho — sometimes described as a "fourth world" country — has been the hardest hit, with 17,000 retrenched in the last 18 months, due to what industry analysts describe as the "worst-ever crisis" to hit the gold market.

Matters came to a head last January when a prolonged period of high rand value and low gold prices shrank the profitability of the local market and left the National Union of Mineworkers (NUM), the leading trade union, with no choice but to accept the dismissals demanded by the mining industry.

"This has had a very bad impact on our economy and society," says Puseletso Salae, coordinator of the Basotho Mineworkers Labour Coopera-

legal, has skyrocketed. It is not uncommon for a woman — unhappy about her husband's alcoholism or used to being the sole decision-maker in the household — to tell her husband she is going to visit her parents and not return, adds Salae. "Many boys that are not able to go to school end up leaving the rural areas for Maseru where they become Tsotsis (thugs)," he says. "Girls also come to Maseru to get work, but most end up as prostitutes. This is a direct result of the retrenchments."

As the poor are pushed deeper into poverty by the retrenchments, unions and mineworkers organisations are calling on the industry to halt the layoffs.

Their appeal intensified following the July announcement by Gold Fields, the second largest gold company in South Africa, that its operating profits

— largely as a result of currency gains in the wake of the rand's collapse against the dollar — had soared to R207 million, from R17 million the previous year.

"Rural economies that are completely dependent on the mines have been blasted by the retrenchments," says Kate Philip, chief executive officer of the Johannesburg-based Mineworkers' Development Agency. "The NUM made all kinds of concessions to get the industry out of the recent crisis. Now is the time to retire."

"There're now making record profits. The honourable thing is to invest in programmes or jobs for those that paid the price in the recent crisis," she says. "Anything else is cynical and dishonourable."

Philip is also lobbying mining companies to contribute to a R80 million project aimed at promoting self-em-

ployment schemes among discarded workers.

Supported largely by the British government and the United Nations Development Programme, the project plans to trigger economic growth in rural areas most affected by the layoffs.

Cooperative poultry and vegetable farms, bakeries and the brewing of indigenous marula beer are among the projects under way.

"The idea is to start with local products for local consumption," says Philip. "But that locks people into low margins and poor markets. The challenge is to build on that, to identify more value-added opportunities, facilitate a product's development and create linkages into more affluent markets."

The hope is that such schemes will also break the cycle of dependence and dependence gripping many former miners, such as Khesuoe, and their families. — Gemini News

Exchange rate: \$1= R6.1
Alan Martin is a journalist reporting for Gemini News Service from southern Africa on a fellowship funded by Canada's International Development Research Centre.