

Thai bank scam Overseas assets of suspects to be frozen

BANGKOK, Sept 2: Thai prosecutors have found billions of baht worth of overseas assets belonging to suspects in a Thai Bank scandal and ordered them frozen, a newspaper reported on Wednesday, reports AP. The Nation reported that the assets were located in Switzerland, Canada and Russian. No precise figure was given. The baht is currently trading at 40 to one dollar. The Nation reported that several politicians were among the suspects in the scandal, which involved borrowing money from the Bangkok Bank of Commerce with insufficient collateral and never repaying it. No names were given. The Bangkok Bank of Commerce was the centre of Thailand's biggest-ever banking scandal. In 1996, directors revealed that it had bad debts approaching 75 million baht (three billion dollars at the time). The bank's troubles triggered a loss of confidence in the Thai banking system that led to floating the baht a year later, the move that triggered the Asian economic crisis. So far, no one has been convicted of any wrongdoing in the bank though violations of Thai banking regulations were legion. After being kept alive by the government for the past two years, the bank was closed as part of recent financial reforms. Direk Sunthornmet, a deputy attorney general, was quoted as saying that the recent closure could make it harder to locate witnesses and documents that can bring suspects to court. Rakesh Saxena, the bank's adviser, has been blamed by Thai authorities for most of the shady practices at the bank. He has fled to Canada and is fighting attempts to extradite him.

KUWAIT CITY, Sept 1: Kuwait's non-oil exports rose by 27 per cent in the first half of 1998 compared to the first six months of last year the trade and commerce ministry said here yesterday, reports AFP. Non-oil exports rose 7.1 million dinars (23 million dollars) to 33.2 million dinars (107 million dollars), the ministry said, quoted by the official Kuna news agency. In the draft budget for July 1998 to June 1999, non-oil revenues are projected to reach 550 million dinars (1.78 billion dollars), unchanged from the previous budget. Oil revenues account for 8.44 billion dollars of the budget's projected income of 10.24 billion dollars, and oil still accounts for more than 80 per cent of Kuwait's total state income. The government has repeatedly expressed a desire to reform the Emirate's economy since Iraqi forces were driven out of Kuwait by a US-led international coalition in 1991.

Kuwait's non-oil exports rise by 27 pc

AIR CANADA pilots talks make no headway TORONTO, Sept 2: Operations at Air Canada have ground to a halt as contract negotiations broke off between the airline and its 2,100 pilots who are seeking pay increases and improved working conditions, reports AP. "There are no talks scheduled at this moment. We've negotiated agreements with a number of carriers to have Air Canada tickets accepted at face value," Priscille LeBlanc, director of corporate communications for Air Canada, said late Tuesday. Air Canada carries approximately 60,000 passengers daily. The airline has made arrangements with 15 other air carriers. However, many other airlines were already booked with late-summer travelers. It's the first pilot's strike for the Air Canada Pilots Association. The pilots strike for the Air Canada Pilots Association. The pilots, who have been without a contract since April 1, voted 97 per cent in favour of a strike in July. "We are angry, dismayed and displeased that we are forced into this situation," said Jean-Marc Belanger, chairman of the 61-year-old Air Canada Pilots Association. Belanger said the union wanted a 20 per cent raise over two years and had come down to 12 per cent in negotiations. The union made wage and scheduling concessions during the airline's rough ride in the early 1990s. Last year, Air Canada was able to turn around and made a profit of 127 million Canadian dollars (\$273 million). Pilots earn between Canadian dollars 32,000 (\$20,500) and Canadian dollars 200,000 (\$128,200) a year. On average, an Air Canada pilot makes Canadian dollars 100,000 (\$64,100) a year. The association said its members make 30 to 50 per cent less than comparable pilots in the United States and Europe. The pilots want to reduce the hours spent flying. The union said Air Canada pilots average 78 to 85 hours of flying item per month. The industry average is 75 to 78 hours.

Air Canada-pilots talks make no headway

IMF, Thailand reacts with horror Confusion hangs over new Malaysian forex rules KUALA LUMPUR, Sept 2: Panicky customers flooded banks with calls while financial analysts scratched their heads over Malaysia's new foreign exchange curbs, which experts say could further hurt the country's already struggling economy, reports AP. Seeking clarification, hundreds of expatriates called banks Wednesday to find out if accounts had been frozen by the new directive on converting the Malaysian ringgit to other currencies and repatriating them out of the country. The answers, however, didn't help. While one large multinational bank told a customer that no transactions were allowed without a central bank permit, it told another client that he could make a one-time withdrawal of 10,000 ringgit (\$2,600). "It's going to close down our bank's Treasury department," said a banker at another foreign bank. "Our customers are confused. Right now, we're confused over whether they're supposed to apply for approval, or whether it's us," said the banker, who spoke on condition of anonymity. Confusion spread across the border with Singapore where many Malaysians have stashed away their savings because interest rates are higher. Tuesday's fiat said such money would be useless paper unless brought back within a month. "I have received so many calls from offshore banks who don't know what has happened," said Simon Mahadevan Flint, a Singapore-based financial analyst who advises banks in the region. "It has knocked the foreign exchange market sideways," he said. On Tuesday, Prime Minister

But even with Tuesday's rally, the Dow is still down 1,510 points, or 16.2 per cent, from its July high, meaning that investors have suffered losses on paper of two trillion dollars in just six weeks. While the Clinton administration insisted on Tuesday that Wall Street's turbulence has not shaken the economy's underlying strength, private economists are not so sure. They worry about the "wealth effect." Consumers spend more when their net worth is rising. But the flip side is also true. If they see their investments losing value, they spend less on new cars, computers, appliances and vacations. Just how much of an impact could that two trillion dollars

Chernomyrdin vows radical tax overhaul Russia likely to reimpose state control on economy: Yeltsin

MOSCOW, Sept 2: President Boris Yeltsin told visiting US counterpart Bill Clinton that Russia could reimpose state controls on the economy as the country struggles with an unprecedented economic crisis, the Kremlin said here yesterday, reports AP. Yeltsin told his guest at the start of a two-day summit that Russia would continue to build a market economy and a democratic society, but that tactical changes, including tighter state controls on the economy may be necessary. "The country will continue along the path of building a market economy and a democratic society," a Kremlin press statement said. "At the same time, naturally,

considering the particular situation, this course may entail changes of a tactical nature, including plans to strengthen the government's role in the economy," the statement said. "There will be no rollback of reforms," it added. The Kremlin said Clinton expressed his 'satisfaction' with Yeltsin's position. Russia is struggling through unprecedented economic crisis resulting in an August government shake up, a de facto rouble devaluation and a debt default. Acting Russian Prime Minister Viktor Chernomyrdin, also present at the negotiations, agreed with Yeltsin that "the government's economic line may be strengthened," the Kremlin said. Before the first round negotiations ended Tuesday, the two presidents also discussed the Start II nuclear disarmament treaty. The Kremlin did not release details of those negotiations. Meanwhile, Russia's acting Premier Viktor Chernomyrdin assured his US guests yesterday that he was planning a radical overhaul of Russia's cumbersome tax system to lower the overall burden. Interfax reported citing a top Kremlin aide. Chernomyrdin is planning "radical steps to change the tax system, including lowering taxes currently on the statute book as a disincentive to production and investment.



Naina Yeltsin, wife of President Yeltsin (left), and First Lady Hillary Rodham Clinton (center) smile during a visit to a Moscow clothing factory along with a group of Russian women business owners on Tuesday. — AP/UNB photo

IMF, Thailand reacts with horror Confusion hangs over new Malaysian forex rules

Mahathir Mohamad announced widespread barriers to check the relentless slide of the ringgit. Measures included a fixed exchange rate, curbs on trading of the ringgit and repatriating money overseas. The rate was fixed at 3.80 ringgit to one US dollar Wednesday, far lower from where the currency had been trading. The government hopes to bring in 20 to 30 billion ringgit (\$5 to 7 billion) locked in overseas accounts, but economists fear the measures could choke foreign investments. "Exchange controls mean a lot of inconvenience for multinationals and it may make them rethink and reposition themselves," said Mohammad Ariff, director at the Malaysian Institute of Economic Research, a government-funded think tank. The new controls to insulate the economy from external shocks could affect Malaysia's trade links with the world. "Trade is our life blood and foreign investment forms the backbone of our economy," Mahamad said. "I don't think the measures have been thought through."

Exports and imports total about 130 per cent of Malaysia's gross domestic product. A staggering 44 per cent of all capital investment in the manufacturing sector is from foreign companies, according to the Malaysian Industrial Development Authority. Despite a global slowdown, Malaysia last year approved foreign direct investment worth 11.4 billion ringgit, then equivalent to about \$4 billion. Companies such as US-based Dell Corp. and IBM manufacture computers here for global markets and Japanese car makers own huge assembly plants in Malaysia. Japan is Malaysia's largest trading partner, while the United States is second. Most of these companies employ tens of thousands of expatriate executives, engineers and workers, all of whom would be affected by Tuesday's regulations on repatriating savings and converting currency. "I'm panicking. I've got ringgit here, and you're telling me it's stuck," said an American who has been working in Malaysia for three years. With the move, Malaysia became the first country in the region to curb buying and selling of its currency since the turmoil erupted a year ago.

Japan remains largest forex reserve holder TOKYO, Sept 2: Japan's foreign exchange reserves rose 1.8 billion dollars in August to total 209.3 billion dollars at the end of the month, the finance ministry said, reports AP. The reserves consist of convertible foreign currencies, gold and International Monetary Fund (IMF) special drawing rights. According to the latest available data, Japan appeared to remain the world's largest holder of foreign reserves for the 58th straight month, the ministry said. China had 144.5 billion dollars worth foreign reserves at the end of June, compared with 96.4 billion dollars for Hong Kong and 85.1 billion dollars for Taiwan at the end of May, the ministry said. Germany held 84.2 billion dollars at the end of June.

Stock market turbulence shakes US economy? WASHINGTON, Sept 2: When the stock market takes a stomach-churning dive, it doesn't necessarily mean the overall US economy will suffer. But this time, many worry that investors looking at suddenly-smaller retirement accounts and mutual funds will feel less flush and curb their spending. Magnified by millions of people, that could kick the props out from under an economy already buffeted by the Asian crisis and bring on a recession, private economists are warning, reports AP. The stock market managed a remarkable comeback on Tuesday with the Dow Jones industrial average soaring 288 points, the second biggest one-day point gain in history.

Stock market turbulence shakes US economy?

Economists estimate that Americans spend between two cents and four cents of every additional one dollar in wealth and make a similar cutback in spending for every one dollar in lost wealth. But Sung Won Sohn, chief economist at Norwest Corp., said the traditional models may be missing the downside risks. "Coming downhill is going to be more painful," Sohn said. "If the stock market falls 30 per cent, which is not out of the question, and the global economic wildfire spreads to Latin America, then we could quite possibly see a recession in 1999." Of course, the big stock market decline this time around

not worsen further and the Federal Reserve comes to the rescue soon with interest rate cuts. "Right now the chance of a recession occurring in the next two years is about 50-50," Wyss said. "With growth rates as low as we are forecasting, it doesn't take much to turn them into negative numbers." One worry is that new investors in the stock market, who have never gone through a period of falling prices, will cut back more on spending than current models project. An estimated 44 per cent of American households now own stock either directly or through retirement plans, up from 20 per cent to 25 per cent during Black Monday stock market plunge of 1987.

Clinton sees volatility in world markets

MOSCOW, Sept 2: Trying to calm global turmoil, US President Bill Clinton said Wednesday that volatility is to be expected in US and world markets and "the right thing to do is try to restore growth in the economies of the world where there isn't enough growth now," reports AP. "It means, in short, that America must maintain a leadership role and active involvement," the president said. Speaking from the Kremlin's Marble Hall at a joint news conference with Russian President Boris Yeltsin, Clinton aimed his comments at calming wild gyrations in the US stock market as investors react to currency and economic crises in Russia, Japan and other major industrial nations. He spoke about 3 1/2 hours before Wall Street opened for another uncertain day of trading. The most important thing is sticking with sound economic policy," Clinton said, referring to his administration's platform of 'fiscal discipline' couple with increased spending on education, science and technology. "We have to make the investments and decisions we know will produce growth over the long run," he said. Clinton said he would repeat to the Duma leaders the same message he gave Yeltsin: "If the reform process can be completed, for one would be for greater assistance to Russia." He said the United States has a "very strong vested interest" in seeing Russia succeed. Yeltsin said the key to Russia's economic recovery was not further US assistance but more foreign investment. "This is what we need." The beleaguered Russian leader said he wanted the world to know that Russia does not view US support as a crutch. "Not at all," he said several times to stress his point. He said Russia had no choice but to stick to its plan — now in danger of falling — to build a free market economy.

India, Iraq talk oil exploration deals

NEW DELHI, Sept 2: India and Iraq yesterday discussed oil exploration deals and New Delhi said it may grant Baghdad export credits, reports AP. Iraqi Oil Minister Amer Mohammed Rasheed told a business conference that India's state-run oil firms had identified potential Iraqi oilfields. Rasheed said the meeting of the India-Iraq Joint Commission, the first in ten years, also focused on "the financial modalities" of joint ventures in oil exploration. "Several areas were identified where India could play a major role including revamping Iraq's industrial units... upgrading its power sector and setting up of fertiliser and pharmaceutical plants," he told a conference organised by the Confederation of Indian Industry. Officials said India may extend credit to Iraq to buy capital goods, consumer durables and consultancy services after sanctions against Baghdad are lifted. "Discussions are on and we expect an announcement on Wednesday, there will be two or three memoranda of understanding being inked between India and Iraq," a spokesman for the external affairs ministry said. He said Iraq had also shown willingness to supply 550,000 tonnes of crude to India under its "oil-for-food" programme and talks were being held about this. Iraq is allowed to export a limited amount of oil under the United Nations programme exempting the oil exports from sanctions imposed after its 1990 invasion of neighbouring Kuwait. The spokesman said Rasheed would also meet president K R Narayanan.

CCC implements Tk 165 cr projects in two years

CHITTAGONG, Sept 2: Chittagong City Corporation (CCC) during the tenure of the present government has so far implemented 2200 projects at a cost of Tk 165 crore, reports UNB. The projects included construction of 425 km roads, 26 km drainage, 40 culverts, three bailey bridges and footbridges, 86 commercial buildings and re-excavation of 40 canals, official sources said. Among the constructed commercial buildings, Chittagong Shopping Complex, Corneliat Commercial Building, Feringee Bazar multi-storied commercial building, Banderilla New Market and Chowbazar shopping complexes are worth mentioning. To uphold the rich tradition of Chittagong city corporation, Chittagong City Gate, a rare display of modern architecture, was constructed on the Dhaka-Chittagong highway. A recreation centre is being constructed on 150 acres of land at Patenga seashore with a five star hotel in joint collaboration with Democratic People's Republic of Korea (DPRK). Initiatives have also been taken to implement four important projects including air-condition shopping mall, Agrabad link road, re-excavation of different canals. Under these projects, Agrabad link road has already been constructed and opened for traffic. Construction of the culvert on Sheikh Mujib roads has facilitated quick removal of water logging problem caused by heavy rainfall in the city. The 14-bed hospital at Sadarghat has been upgraded to 100-bed during the present administration to provide proper medicare facilities.

Lanka hails Indian move to open its tea mkt

COLOMBO, Sept 2: India's decision to open its vast market to tea imports from South Asian neighbours will boost international tea prices and help Sri Lanka exports, a senior minister said yesterday, reports AP. Sri Lanka's Trade Minister Kingsley Wickremaratne said exporters had already started to send small quantities of packed tea to India — one of the world's biggest producers and consumers of tea. "What is most significant is that the Indian tea market is open to us for the first time," Wickremaratne said. "This is something that we have been agitating for some time. This will boost prices." Wickremaratne said the Indian move was gazetted last month along with changes of rules for 2,000 other commodities to which New Delhi had agreed to grant preferential treatment. For Sri Lanka, the world's biggest exporter of tea, the most significant item on the Indian list was tea. The Indian move comes at a time when prices at the weekly Colombo tea sale are depressed reflecting some of the economic turmoil in Russia, a key buyer of tea. Sri Lanka tea brokers were quick to note that access to the Indian market was limited to South Asian countries — Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka. However, Sri Lanka and Bangladesh export tea, Nepal manufactures tea but is not a major exporter.

BASC support to private sector development discussed

Star Business Report The first of a series of brainstorming sessions initiated by the Business Advisory Services Centre (BASC) to highlight, assess and explore its role in supporting private sector enterprises in Bangladesh, was held at BASC seminar room Tuesday, says a press statement issued yesterday. Muhammad Ali, Executive Director of BASC, moderated the discussion session. In his opening address, he welcomed the participants and briefed them on the role and future plans of BASC. BASC is committed to support the development of private sector business by promoting quality awareness, organising training programmes and disseminating updated specialised and technical information, he said. About major objectives, Ali said, BASC aims at creating jobs by providing assistance in the fields of human resource and entrepreneurship development. Prominent journalists and economic reporters from leading national dailies attended the session. The participants agreed that a round-table discussion on a broad-based participation could be co-organized with the help of Economic Reporters' Forum, Dhaka shortly, to brainstorm on the actual effects of currency devaluation on the country's economy.

Rubin urges swift approval of IMF funding

WASHINGTON, Sept 2: Treasury Secretary Robert Rubin urged Congress yesterday to swiftly approve billions of dollars in new funding for the IMF to combat the "global uncertainty" that is affecting financial markets and the economy, reports AP. "The fundamentals of the American economy remain sound... but recent developments testify clearly to the impact of global uncertainty on US financial markets and, ultimately, on our economy," Rubin said in a letter to house of representatives speaker Newt Gingrich. "We simply cannot afford any further delay in providing the IMF with the resources it requires to help contain the threat of further financial and political instability in the world," Rubin said. The house is expected to take up the request for IMF spending when it returns from its summer recess next week. Rubin said the IMF may need the funding for Latin America and other regions to contain the crisis sweeping global financial markets.

Ship-building for HK Taiwan wins contract

TAIPEI, Sept 2: Taiwan's state-run China Shipbuilding Corp. on Wednesday signed a 120 million dollar contract to build two container ships for the Hong Kong-based Orient Overseas Container Line, reports AP. The Hong Kong shipping firm is owned by family of Hong Kong leader Tung Chee-hwa. China Shipbuilding officials said the company won the contract by beating South Korean shipbuilders despite the drastically depreciated Korean won. A company statement said the delivery for the two ships is scheduled for 2000, and a letter of intent was also signed for it to build two more ships for the Hong Kong firm. The official Central News Agency said Orient Overseas will let a South Korean shipbuilder build two other container ships.

Inflation-protected savings bonds in US

WASHINGTON, Sept 2: Americans put off by the stock market's recent slides have a new conservative investment option, reports AP. The Treasury department on Tuesday started selling new inflation-protected savings bonds in denominations as small as \$50. The new bonds — dubbed "I-bonds" — are being sold at face value and feature portraits of a diverse group of prominent Americans from history. Six denominations are being offered initially, with Helen Keller on the \$50, Mexican-American activists and physician Hector Garcia on the \$75, Martin Luther King Jr on the \$100, Secretary of State and Gen George Marshall on the \$500, physicist Albert Einstein on the \$1,000 and opera singer Marian Anderson on the \$5,000. Two denominations — the \$200 with Chief Joseph of the Nez Perce Indian tribe and the \$10,000 with Sen Spark Matsunaga of Hawaii — will be added in May 1999. The Nez Perce took ownership of ancestral land in Oregon last year for the first time since Joseph and his tribe were driven away from it in 1877. Matsunaga worked to gain redress for Japanese-Americans in World War II internment camps.

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