

Bad loans to Asia by Japan's 19 banks have tripled

TOKYO, Sept 8: Bad loans to Asia by Japan's top 19 banks nearly tripled in the year ended in March from the previous fiscal year to 163.4 billion yen (1.2 billion dollars), a report said Monday, reports AFP.

The figure was in a report presented by the government's financial supervisory agency to a parliamentary panel on financial stabilisation, Kyodo news agency said.

The percentage of bad loans to total loans to Asia stood at 1.05 per cent, up from 0.31 per cent the year before.

The banks held 15.38 trillion yen in outstanding loans to Asia at the end of March, it said.

The amount of bad loans could be much larger if a stricter definition were used to include problem loans, Kyodo quoted economists as saying.

JB holds meet on post-flood agri credit programme

Star Business Report Janata Bank held a high-level emergency meeting to gear up the bank's agricultural credit programme to support the government in its post-flood rehabilitation programme, says a JB press release issued in city yesterday.

MA Hashem, Managing Director of the bank, reviewed different steps taken in this regard and instructed concerned officials to implement government programmes and ensure speedy disbursement of agricultural loans among the affected farmers as well as other credits to the flood victims for income generation.

He also advised concerned bank officials to ensure quick disposal of agro-based project proposals to boost production and create employment opportunities.

Filipino peso weakens

MANILA, Sept 8: The Philippine peso weakened against the US dollar Tuesday on dollar buying by commercial banks and excess domestic liquidity, traders said, reports AP.

Negative sentiment toward Southeast Asian currencies, due to renewed concerns over Malaysia's capital controls and reports of political unrest in Indonesia, likewise weighed on the peso.

Philippine stocks, meanwhile, closed mixed as profit-taking capped early gains by blue-chip shares.

The dollar averaged 43.395 pesos for the day, up from Monday's average of 43.350 pesos. The dollar was last traded at 43.390 pesos.

A trader with a local bank said most banks found the dollar level attractive enough to start accumulating the US currency.

A lack of investment opportunities for peso holdings contributed to excess domestic liquidity which "caused" more banks to position behind dollars, traders said.

Indonesia on track with IMF programmes

JAKARTA, Sept 8: A senior International Monetary Fund official said Monday that Indonesia was "on track" with programmes aimed at overcoming its economic crisis, and was working on a new agreement intended to help companies obtain new credit, reports AP.

Hubert Neiss, IMF director for Asia and Pacific affairs, said the main element of a letter of intent between Indonesia and the fund, expected to be in place by Friday, would be a framework for domestic debt restructuring for the resumption of bank loans to corporations.

"Corporations have to normalise relations with commercial banks in order to get new credits and restart production," he said after a meeting with senior Indonesian economic ministers.

He added that Indonesia must maintain a tight monetary policy despite the pressure it exerts on the economy.

"The economy is still in an adjustment period following the shocks in balance of payments and the depreciation of the rupiah," Neiss said. "Unfortunately, monetary policy has to remain tight and that's a sacrifice the economy has to take."

Central bank chief falls prey to Russian financial crisis

MOSCOW, Sept 8: Embattled central bank chief Sergei Dubinin became the latest victim of the Russian financial crisis yesterday, tendering his resignation even as the rouble continued its headlong slide into oblivion, reports AFP.

Blasting parliament and acting Premier Viktor Chernomyrdin for hampering his efforts to save the collapsing Russian economy, Dubinin sent a letter to President Boris Yeltsin offering to resign.

The Kremlin, training its eyes on Chernomyrdin's own struggle to get confirmed as Prime Minister, had yet to respond by late Monday afternoon to Dubinin's request.

But the central banker has faced deafening criticism for hooking the rouble from the dollar and then admitting he could not defend the Russian currency with central bank reserves.

The result has been an unprecedented rouble nosedive, the currency hurtling down some 20 per cent in interbank deals to an afternoon spread of 21-21.5 to the dollar while the central bank chose to set its official rate at 18.9. Fixing the rouble to the dollar proved impossible again as few green-

backs were on offer. "Commercial banks are not prepared to work normally on the market, but banks and the population need a fixing rate," central bank official Andrei Cherepanov was quoted by Itar-Tass as saying. The central bank later set its official rate at 18.9 to the dollar.

The rouble's woe has dragged stocks to all-time lows and equities gained little respite Monday ending another thin day's trading flat.

Markets found little to cheer about as Chernomyrdin reiterated his economic priorities to parliament shortly before being rejected in a second vote on his candidacy for prime minister.

"It is clear that the situation will not get better in two days or two months. But we must keep things from getting even worse," Chernomyrdin said, detailing for a strong industrial policy, support for exporters, tax reform and controlled rouble printing as his panacea for Russia's serious economic ailment.

Dubinin's fall from grace was the second time he has lost his job over a rouble fiasco. The respected academic and former banker was fired from the Finance Ministry after the rouble

lost more than 20 per cent on October 11, 1994. In his letter of resignation on Monday, Dubinin said he could no longer work under circumstances in which both the Russian parliament and acting prime minister were openly calling for his head.

But he flatly blamed the opposition-led state Duma, lower house parliament, for dragging its feet on pivotal legislation he wanted to be passed to help Russia and its ailing banking system through the acute financial misery.

"Under my leadership, the central bank did not print worthless money. Dubinin wrote to Yeltsin in a resignation letter cited by Itar-Tass.

"However, monetary policies cannot forever compensate for weaknesses in tax collection and the management of national debt, both internal and external," Dubinin wrote.

It was Dubinin's decision, taken in conjunction with then Premier Sergei Kiriyenko, to let go of the rouble on August 17 after months of insisting that the currency was safe.

Kiriyenko was sacrificed a week later, but Dubinin has hitherto scoffed at repeated calls for his ouster.

Analysts said that his resignation, which if accepted would leave the country floundering in economic chaos with neither a central bank chief nor a confirmed prime minister, would merely add insult to injury to Russia's wretched financial markets.

"He presided when the rouble was steady," said Al Breach, economist with the Russia's European Centre for Economic Policy. "Basically on that he was pretty decent."

Breach added that the days of central bank independence, during which it has run a tight monetary policy at least since October 1994, might be numbered, particularly as Chernomyrdin hinted darkly Sunday evening that the way the bank was run might have to be changed.

"The central bank has been doing what it wants to do and it is quite possible it won't be doing that anymore," Breach said.

"He obviously had a good knowledge of the situation," added Tom Brackenbury of the Rinako Plus Brokerage Firm. "The feeling is that the change could not necessarily be for the better. I am not aware that anyone knows of a suitable replacement."



Dr Ainun Nishat, an eminent water expert of Bangladesh, speaking at the monthly meeting of the American Chamber of Commerce in Bangladesh (AmCham) at Dhaka Sheraton Hotel yesterday. Others sitting from left are M Nurul Islam, Vice President-AmCham, John C Holzman, United States Ambassador to Bangladesh, Forrest E Cookson, President-AmCham and A Gafur, Executive Director-AmCham.

Germans urged to become calm over Russian crisis

BONN, Sept 8: German Economy Minister Guenter Rexrodt urged Germans not to become hysterical over the crisis in Russia, in remarks on German radio yesterday, says AFP.

"We should not expect German gross national product to fall or the banks to collapse," he said.

The crisis in Asia was for more important for the German economy than was the crisis in Russia, he said.

StanChart holds workshop on euro

Star Business Report Standard Chartered Bank Bangladesh held a workshop on euro at Sonargang hotel Tuesday, says a press release issued yesterday.

The workshop was organised to familiarise Standard Chartered's Corporate and Institutional Banking clients with the emerging economic order in Europe with a single economic system and currency.

Lutfur Rahman Sarker, Governor of Bangladesh Bank, inaugurated the workshop as the chief guest. Among others, the workshop was attended by Geoff Williams, Chief Executive of Standard Chartered Bank in Bangladesh and managing directors and senior officials of 40 private companies and 20 commercial banks.

Geoff Williams in his welcome address stated that the workshop would help the participants sort out confusions over EMU, ECU, euro and other related issues.

Lutfur Rahman Sarker, in his speech, lauded the role of Standard Chartered in bringing important and sensitive issues for discussion with its client. He said that the euro workshop was a very timely initiative since Europe, one of the largest trading partners of Bangladesh, will undergo major transformation as a result of a single economy and currency.

The workshop was also marked by a keynote slide presentation on euro by SAA Masrur, head of Corporate Banking, Standard Chartered Bank Bangladesh.

Mahmood Malik, Deputy Head, Kanti Kumar, Relationship Manager of Institutional Banking, and Alamgir Morshed, Manager Treasury of the bank, also gave presentations on the impacts of euro on Bangladesh's economy and trade.

There's a widespread sense that the US dollar is in danger so people are selling," said Masashi Ehara, a manager in the foreign exchange section of Bank of Tokyo-Mitsubishi.

The dollar, often sought as a haven during times of turmoil, has fallen about 15 yen over the last month from a closing in Tokyo as high as 147.41 yen on August 10.

The greenback cost 131.92 yen late Tuesday in Tokyo, down just 0.07 yen from late Monday in Tokyo. New York markets were closed Monday for Labour Day. In London, the dollar dipped to 131.79 yen overnight.

Traders said the downward dollar was likely to continue for the next couple of weeks. Interest in yen-buying also remains low. The dismal prospects for the Japanese economy, dragged down in the worst recession in five decades, continue to weigh down on the yen, dealers say.

KL market restrictions to hit S'pore: Experts

SINGAPORE, Sept 8: As Singaporeans line up at bans to save their Malaysian ringgit accounts, analysts Tuesday predicted Malaysia's controversial currency and market restrictions will cause Singapore's economy to shrink for the first time since 1985, reports AP.

Singapore, the glittering financial hub of Southeast Asia, so far has escaped the worst of the regional crisis, mostly due to its sound economic fundamentals.

But last week's decisions by neighbouring Malaysia to ban overseas trading of the ringgit and stocks threatens to deal a serious blow to Singapore's economy, which some analysts say will shrink in 1999.

"Singapore has been made very vulnerable" by Malaysia's economic problems, said Chia Yew Boon, head of investment at Santander Investment Securities.

Malaysia is Singapore's second-largest trading partner, accounting for up to 20 per cent of Singapore's GDP.

Before last week's measures by Malaysia, Santander Investment forecast a minus 3.5 per cent economic growth in Singapore for 1999.

Now, we have to revise that forecast to minus 5 or even minus 6 per cent, Chia said.

Chia said that Malaysia's measures "are going to affect all sectors of Singapore's economy, starting with banking and financial services, transport and communications, to export, import, retail and property market, and tourism."

Already for 1998, the government's official forecast is for the economy to grow only between 0.5 per cent and 1.5 per cent, down from 7.8 per cent growth posted in 1997. Singapore's economy last shrank in 1985, the last time the island nation fell into recession.

And while Malaysia's moves may help its economy in the short-term, analysts said they don't deal with the underlying causes for the nation's economic ills — and that will come back to haunt Malaysia.

In the short run, we don't deny that Malaysia's measures are going to boost their economy," Chia said. Already the measures have prompted a steady currency, lower interest rates and rising stocks. But he added: "With their very weak economic fundamentals, these measures are very dangerous."

Russia's currency board plan comes under int'l scrutiny

PARIS, Sept 8: While Viktor Chernomyrdin's premiership nomination is at the centre of Russia's political stage, international institutions have been weighing Chernomyrdin's plan for a currency board to rescue the economy — and found it to be less than a guaranteed solution, reports AFP.

In Brussels, the EU Commission said that it was studying the implications of such a board, announced by Chernomyrdin last week as part of an "economic dictatorship" which would call for a rapid issue of bank notes to pay back wages followed by stringent control of the money supply.

A spokesman for the EU Commission commented however: "There is no miraculous solution. The success of such a monetary board depends both on confidence in it of financial markets and confidence in the capacity of Russia to stabilise its economic and financial policy."

On Friday, the head of the International Monetary Fund (IMF), Michel Camdessus, warned that "at this very moment Russia has not, by far, what is needed for a currency board."

Firstly, Russia had to "stop printing money for the wrong purposes and put the budget in order."

But he did not exclude the possibility that Russia could put such a board in place later.

Many experts of monetary policy have been perplexed by the contradictions of a plan which would increase the money supply to put back-pay into peoples' pockets, but which would then introduce rigorous control of the money supply to restore confidence in the currency and financial system.

The creation of currency boards has been used with varying amounts of success by some central banks.



HOW THINGS COME HANDY!: Man has always proved his superiority by standing against all odds and devastating forces of nature no matter how pesky or furious they may be. This picture, taken yesterday, shows a petrol pump worker sailing in flood water on a raft made of fuel-drums at Tarabo, on Dhaka-Sylhet highway.

US accuses Japan of holding up regional liberalisation plan

KUALA LUMPUR, Sept 8: The United States on Tuesday again accused Japan of holding up a massive trade liberalisation plan for the Asia-Pacific region, reports AP.

"They are really standing in the way of a substantial package of liberalisation measures and this would be very unfortunate for APEC," said David L. Aaron, the US undersecretary of commerce for international trade.

Aaron was heading up the US delegation to the Asia-Pacific Economic Cooperation meeting of ministers for small and medium businesses.

"They are sending the wrong signal at this time of crisis," Aaron told the AP. "We are hopeful that the new Japanese government will take a more positive approach. Up until now, everyone was very united, except Japan."

During an APEC trade meeting in June, Japan refused to sign on to the early voluntary sector liberalization plan.

The free-trade process would gradually lift tariffs and other trade barriers in the areas of environmental products and services, energy, fisheries,

forestry, toys, jewelry medical goods, chemical products and telecommunications.

For months, trade negotiators have been debating the formidable plan, agreed to by heads of government at last November's APEC summit in Vancouver.

Officials hope to complete the plan for signing at the next summit in Kuala Lumpur in November.

Malaysian Trade Minister Rafidah Aziz said most of the 18 APEC members were on board.

"All of us believe the current turmoil isn't an excuse for not going forward with trade liberalisations," she said.

The early liberalization plan would eliminate tariffs in all nine sectors by 2005, with tariffs on toys lifted as early as 2000. Developing APEC nations would have more time to ease tariffs so as not to adversely affect their smaller economies.

Western countries are at the forefront in pushing for market liberalization, saying that it's an important means to rescue Pacific-Rim economies from their economic slump.

They want specific dates and scale varieties. The Kompas daily said.

"If it depend on a real market mechanism, the price of rice should be at the most range between 2,500 and 3,000 rupiah (24 and 28.6 cents) per kilogram and not 5,000 rupiah (47.6 cents) as it is now," Agriculture and Horticulture Minister Soleh Solahuddin said on Friday.

For many farmers, a day's work would earn about 4,000 rupiah (38 cents).

"This is no longer a market-defined price, there are various elements that are influencing rice prices, and recent government statements have only compounded the problem," said agro-economist Dibylo Prabowo of the state Gajah Mada University in Yogyakarta.

He spoke of lower production in several regions because of

pests and climatic factors, farmers and traders hoarding their stocks in the hope of higher prices and the inefficiency of the distribution network.

Food minister A M Saefuddin has said rice stocks are enough to cover demand in this country of some 202 million people for the next eight months.

But shortages and soaring prices have already sparked looting of rice mills and of stores selling essential goods in East Java last week. Mob-intercepted trucks carrying rice in Lombok island. Rice stocks were stolen and ready-to-harvest fields pillaged in other areas.

Prabowo said government forecasts of floods around the end of the year, and its intention to raise the state-set Bulog

'Dollar in danger'

TOKYO, Sept 8: International crises usually buoy the US dollar. This time, worries about crumbling economies in Russia and Asia are heightening fears about the fate of American global investments and sending the dollar plunging, reports AP.

There's a widespread sense that the US dollar is in danger so people are selling," said Masashi Ehara, a manager in the foreign exchange section of Bank of Tokyo-Mitsubishi.

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Traders said the downward dollar was likely to continue for the next couple of weeks. Interest in yen-buying also remains low. The dismal prospects for the Japanese economy, dragged down in the worst recession in five decades, continue to weigh down on the yen, dealers say.

Indonesia faces acid test in fighting rising rice prices

JAKARTA, Sept 8: The new Indonesian government of President B J Habibie is facing a vital test as rice, the nation's staple food, becomes increasingly unaffordable despite a huge market intervention operation and imports, reports AFP.

"If the government cannot even control rising prices in essential goods, including rice, how can you expect it to be able to tackle things like corruption and cronyism as it has pledged to do?" asked economist Hartoyo Wignyowyoto.

Hartoyo blamed the price distortion on rice importers and main distributors, operations which he said remained in the hands of cronies and close associates of former President Suharto.

"The money is there, rice is available here and abroad, the

distribution mechanism is there, so where is the problem? Put some order at the doorway and that will produce some results — but you must have the will and the courage," he said.

Industry sources said rice imports were in the hands of a closed circle of companies controlled by the Suharto family and close associates as well as officials of the national logistic agency, Bulog, who in turn run their own companies.

Although the government forecasts a mere 6.3 per cent drop in unhushed rice production for this year to 46.3 million tonnes and plans to import 3.1 million tonnes of rice, the price of the commodity has soared to unheard-of heights.

In the year to August rice prices have risen by 183.9 per cent for the cheaper variety and by 159.2 per cent for higher-

scale varieties. The Kompas daily said.

"If it depend on a real market mechanism, the price of rice should be at the most range between 2,500 and 3,000 rupiah (24 and 28.6 cents) per kilogram and not 5,000 rupiah (47.6 cents) as it is now," Agriculture and Horticulture Minister Soleh Solahuddin said on Friday.

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ROK-Russia trade drops

MOSCOW, Sept 8: Trade between Russia and South Korea dropped steeply since the start of the year because of financial problems in both countries, a news agency reported Tuesday, reports AP.

Korean imports to Russia fell 5.7 per cent to 1.5 billion dollars since the start of the year. In the same period, Russian exports to Korea were down by a third, now at 583 million dollars, the interfax news agency reported.

Russia's decision to stop paying foreign debts and after-shocks of last year's Asian crisis, were primarily to blame, said Li Kwang He, head of the South Korean Consulate's commercial department in the eastern port city of Vladivostok.

He said, however, that Russia should be able to sell more raw materials abroad,

the lower prices, whatever amount of rice Bulog releases would only be absorbed by speculators and others 'naughty individuals', Tambunan said.

Saefuddin was, however, quoted by Kompas daily as saying that releasing Bulog stocks at prices closer to market prices was impossible because of the weak buying power of the people.

"The government's legitimacy is already in doubt and failure to address the root cause of the (rice) problem, that is monopolies and corruption, will only make it worse," Hartoyo said.

Habibie was handed the reins of power by Suharto who resigned on May 21 amidst rising public protests. His detractors say the transfer of power should have gone through the legislature.



Lutfur Rahman Sarker, Governor of Bangladesh Bank, addresses as chief guest the 'euro' workshop organised by Standard Chartered Bank at a city hotel yesterday. Sitting next to him is Geoff Williams, Chief Executive of Standard Chartered Bank Bangladesh.