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Market controls 'a backlash against IMF' cures'

'Malaysia committed to APEC free trade, investment plans'

KUANTAN (Malaysia), Sept 13: Malaysia is committed to its plans to free trade and investment within the APEC forum, a Malaysian senior official said yesterday amid concerns that the country's sweeping capital controls would place economic integration and open markets at risk, reports AFP.

Abdul Razak Ramli, Chairman of the third senior officials meeting of the Asia-Pacific Economic Cooperation (APEC) forum, said it was unlikely a discussion would ensue on the three-day meeting to begin late today on Malaysia's controls on investment and currency convertibility.

"I don't think we are going to have a discussion on that", Abdul Razak told reporters here.

"The fact is that it (capital controls) is an action which has been taken unilaterally by Malaysia, and it is in our agenda that our commitment to APEC remains the same," he said.

Abdul Razak said he had not received queries from any APEC delegation on Malaysia's capital controls prior to the meeting, which was placed on its agenda a review of member economies' individual action plans (IAPs).

"Certainly the IAPs are there for liberalisation, but it does not cover financial liberalisation

at this point", he said.

Malaysia stunned the international community early this month by imposing capital controls to shield itself from external turbulence, at the risk of driving away foreign investment.

"We'll have to look at modalities or ways in which they will come in, they'll have to flesh out also the kinds of flexibilities that they want within the terms of end-dates and rates," Abdul Razak said.

"At this point, they're working on their IAPs," he added.

Vasiliev said Moscow formed last month a new 25-member committee that would priorities Russia's plans for free trade under APEC.

The senior officials meeting here will be the last in the run-up to the finance ministers and economic leaders meeting in Kuala Lumpur in November.

In last year's APEC ministerial meeting in Vancouver, members agreed to fast-track liberalisation in at least nine of 15 product sectors by 1999. Among these areas for liberalisation by 1999 are telecommunications, chemicals, environmental goods and services and the energy sector.

Meanwhile, a Reuter report from Hong Kong adds: Malaysia's retreat from free markets could signal the start

of a global backlash against the brand of tough medicine to cure economic ills offered by the IMF, analysts say.

The likelihood of an immediate rush to emulate Malaysia's controls on foreign exchange seemed remote given the International Monetary Fund's heavy involvement in the region.

But analysts said the depth and breadth of the emerging markets crisis could portend a shift in attitudes on the merits of capital controls in emerging market economies.

Malaysia took a giant step back from the free market when it recently introduced a range of foreign exchange controls to shield its battered currency, the ringgit, and its economy from speculators and global financial instability.

"As we progress through the next few years, investors will see the rest of the world increasingly blending government, societal and market forces to get together in driving assets prices," one major European brokerage said recently.

"The complete domination of market forces in this process is at its zenith."

The brokerage went on to argue that the type of government interference now evident in Hong Kong — the government bought shares aggressively last

month to foil "market manipulators" — would soon no longer be criticised but seen as standard operating procedure.

Global capital will realign itself accordingly, it said.

Asian analysts said that while Malaysia represented the first example of an expected free market backlash, it should not be viewed as a model for Asian nations disaffected by more than a year of apparently ineffective IMF policy.

Some argue the IMF's insistence upon high real interest rates and full debt repayment to foreign creditor banks is condemning Asia to a lengthy depression similar to the Latin American debt crisis of the 1980s, known as the "lost decade."

Others argue that high rates are an appropriate reflection of the political, social and economic risk now attached to shattered Asia.

The IMF's only mistake, said Schroders Asia chief strategist Andrew Ballingall, was to fail to insist that deficit financing be used to reconstruct banks.

And Malaysia's mistake, he argued, was to give up before making any serious attempt at IMF-style reform.

Malaysia has firmly resisted turning to the IMF for financial assistance.



A Y8 aircraft arrived at the ZIA from Tehran under the guidance of International Project Support Services System Ltd (IPSSL) to help shuttle garments cargoes as the country is reeling under the worst flood in its history. This aircraft will fly between Dhaka and Chittagong six times a day and each flight will carry 22 tons cargo. During the aircraft's arrivals Commerce and Industries Minister Tofail Ahmed, Civil Aviation and Tourism Minister Mosharraf Hossain, BGMEA president Mostafa Golam Quddus, IPSSL Chairman Moinul Islam and Managing Director M Haider-Uz-Zaman were present. — Star photo

EU set to become Vietnam's garment market this year

HANOI, Sept 13: Europe is set to become Vietnam's number one export destination for garments and textiles this year, an EU official said on the weekend.

"The EU will overtake Japan as textile and garments market," said Pierre Amilhat, EU Commercial Counsellor to Vietnam told AFP.

He said the increase of textile and garment quotas to Vietnam by the European Union agreed to late last year and signed in Brussels last week, as well as a drastic drop in exports to Japan, accounted for the change in ranking.

During the first five months of the year, garment and textile exports to the EU grew 25 per cent from a year earlier to 130 million dollars, while shipments to Japan experienced a sharp decline.

Vietnam exported 560 million dollars of textiles and garments to Japan and 500 million dollars to the EU, the Vietnam news daily reported.

Exports to the EU were expected to soar to 700 million but fall to 450 million dollars to Japan.

US forecasts large crop output this yr

WASHINGTON, Sept 13: Major crops prices are likely to fall further because of forecasts for large corn, soyabean and wheat crops amid flat exports, the US Agricultural Department reported yesterday, reports Xinhua.

The department predicts that this year's record soyabean harvest of 2.91 billion bushels (one bushel of Soyabean is equivalent to 27.216 kg) will drop prices as low as 4.65 dollars a bushel, compared with 6.45 dollars last year. The new figure represents a 35-cent decrease from the August estimate and would be the lowest soyabean price since 1987.

Corn production is forecast at 9.74 billion bushels, which would be the second-largest crop on record following 10.1 billion bushels in 1994 and is two per cent above the August prediction.

Although corn exports have improved slightly, prices are forecast down 15 cents a bushel (one bushel of corn is about 25.42 kg) from last month to as low as 1.80 dollars a bushel as compared with 2.45 dollars last year.

As for wheat, record per-acre yields of 43.3 bushels an acre raised the overall forecast to 2.56 billion bushels, up two per cent from last year even though farmers planted less acreage this year.

But like the other crops, this bounty combined with stagnant exports means prices as low as 250 dollars a bushel down almost a dollar from last year.

Thailand offers Indonesia 1 lakh tonnes of rice

JAKARTA, Sept 13: Visiting Thai Foreign Minister Surin Pitsuwan yesterday assured Indonesia that Thailand was ready to stand as a "first line of defence" in helping Jakarta out of its rice crisis, reports AFP.

"Our country may provide a financial first line of defence, we can guarantee food supplies," Surin said after an 80-minute meeting with Indonesian President B J Habibie.

The deepening financial crisis in Indonesia has driven rice prices beyond the reach of the poor, triggered widespread looting and forced changes in the IMF's pattern of assistance to Indonesia.

Despite government assurances of adequate stocks, speculators, hoarding and inefficient distribution has forced prices to soaring heights.

The Indonesian government Friday assured the International Monetary Fund (IMF) that it would step up its efforts to assure an adequate and affordable supply of rice, especially to the growing ranks of poor.

Thailand and Indonesia, two of the countries hardest hit by the Asian financial crisis, have both seen their currencies crash and their economies gutted, and been forced to rely on massive bailouts from the IMF.

"The Thai baht is stabilised, we are certainly grateful for that, Surin added.

The Indonesian rupiah has also stabilised at around 10,000-11,000 to the dollar but any unrest in the future, including continuing student demonstrations, may push it down again, economist here warned.

On the foreign affairs front, Surin said a sign of mutual confidence between the two governments was Thailand's agreement to open an Indonesian interest section at its embassy in Portugal.

The move was part of an agreement reached by the foreign ministers of Portugal and Indonesia during peace talks on east Timor interests section in the Dutch embassy here.

Clinton sex scam a double-edged sword for Asia

SINGAPORE, Sept 13: The sex-and-perjury scandal engulfing US President Bill Clinton has become a double-edged sword for Asia, strengthening the yen while threatening stock markets in the region, reports AFP.

Dollar weakness against the yen and by extension other Asian currencies — is expected to continue in the short term as Japan and its leading partners work out ways of reviving the world's second largest economy.

The Group of Seven (G7) industrialised nations are scheduled to meet in London on Monday primarily to discuss the Russian crisis but analysts expect Japan to be prominent in the discussions as well.

This Chin Loo, currency strategist with Banque Paribas in Singapore, said Japan's economic numbers "confirm the economy is in bad shape."

"The authorities may take further fiscal stimulus measures, probably the biggest risk to the dollar is further fiscal stimulus measures in Japan."

Gross domestic product in the world's second largest economy shrank 0.8 per cent in the quarters, an annualised rate of contraction of 3.3 per cent, Japan's economic planning agency said Friday.

In the meantime the release of US independent counsel Kenneth Starr's damning report against Clinton, along with clear signs of a slowing US economy, are weakening the dollar and share prices on Wall Street.

"There are two reasons to expect near-term relative weakness of the dollar, the first is that Clinton is clearly living on borrowed time," said regional analyst Christopher Wood of Santander Investment Securities.

"The factors dictating its movements will be the possibility of Clinton impeachment, maybe a (US) Federal Reserve rate cut, the Dow Jones factor and Russia's problems." This said.

The Singapore dollar closed last week at 1.7245 to the US dollar, the Taiwan dollar at 34.495, the Philippine peso at 43.725, the South Korean won at 1,366.50, the Indonesian rupiah at 11,650, and the Thai baht at 40.76.

BOJ sees no sign for recovery Japanese economy deteriorates

TOKYO, Sept 13: Japan's central bank today said the battered economy was deteriorating and recovery was not in sight, as a top Finance Ministry official warned that the nation was teetering on the edge of a deflationary spiral, reports Reuters.

"Japan's economic conditions continue to deteriorate," the central bank said in its monthly report, adding consumption was stalled, capital spending trapped in a lengthy period of adjustment and unemployment stuck at high levels.

The pessimistic assessment from the central bank came two days after it eased credit for the first time in three years and ahead of the release of data

later in the day expected to show the economy shrank yet again in the April-June quarter.

Echoing the gloomy tone of the central bank's report, top financial diplomat Eisuke Sakakibara — usually an unrepentant bull on Japan's economy — said the downturn would continue into the early autumn and that the economy was on the edge of a deflationary spiral.

"From what we have observed in July and August, the July to September quarter will not be good," Sakakibara said in an interview published in the financial times.

"I don't think the Asian crisis is over, we are on the verge of a deflationary spiral and we need to avoid that," he said,

adding that Japan was pursuing an expansionary policy.

Tokyo share prices, meanwhile, sank from the start of trade, battered by losses in New York overnight and gloomy corporate earnings forecasts at home.

The Tokyo market's main barometre, the 225-share Nikkei average, was down three per cent, or 440.66 points at 14,225.37 after just over 90 minutes of trade.

The BOJ said already-announced policy steps would halt the economic decline, but it also warned that tumultuous financial markets could dent the real economy, and said capital spending was trapped in a long adjustment phase.

NEC may post \$76m net loss in 6 months

TOKYO, Sept 13: Japan's NEC Corp will likely post a net loss of about 10 billion yen (76.3 million dollars) in the six months ending September 30, its first such loss in five years, the Nihon Keizai newspaper reported Sunday, reports AP.

Asian crisis a boon to S'pore Airlines

At a time when most airlines are cutting costs and retrenching, international carrier Singapore Airlines says it will not be sitting still but taking advantage of softer market conditions and the Asian financial crisis to expand the SIA Group's business, says a press release of the airlines issued Saturday.

Deputy Chairman and CEO Dr Cheong Cheong Kong said that far from slowing SIA down, the Asian region's economic turmoil was likely to offer specific investment and other opportunities, providing possibilities for expansion and growth, and the region's financial difficulties were likely to accelerate trends towards consolidation and alignment already under way in the industry.

Cheong was speaking at the launch of SIA's new First, Raffles and Economy Class products. The S\$ 500 million (nearly US\$ 300 million) launching was the biggest in the airline's history.

Cheong said that while SIA would continue to expand as an international airline and invest in its product and service, it would also grow as an international group of airline and airline-related companies, offering services such as airport ground handling and aircraft maintenance.

"We have the wherewithal to do all this because we have a strong balance sheet and can afford to take a long-term view," he told reporters.

In addition to further developing its Changi hub in Singapore, SIA was exploring strate-

gic opportunities in a number of markets, such as Thailand, India and South Africa, to help consolidate its position as a world leader in the air travel market, said Cheong.

This is not a new strategy, but one that SIA has been adopting successfully for several years. The group's ground-handling company, SATS, has entered into joint ventures at 11 Asian airports, most of them joint ventures, explained Dr Cheong. "We cannot allow ourselves to become over-dependent on our region."

SIA has consistently been one of the world's most profitable airlines and the recipient of the most industry awards for excellence in service, but it has not been spared by the effects of the economic turmoil in East Asia. A softer Asian market has seen some shifting of capacity to the United States, Europe, the Southwest Pacific and the Indian subcontinent.

Cheong said the SIA Group's half-yearly results, to be announced in mid-October, would reflect tougher times in Asia, but would also demonstrate the airline's resilience and financial strength as it continued to grow and expand.



HAPPY-GO-LUCKY TRADERS: The retail vegetable traders at city's Shambazar seem to be faring well, which is quite expressive on their smiling faces, though flood has, these days, been the major cause for their sufferings. —Star photo by AKM Mohsin

Russian monopolies agree on common anti-inflation strategy

MOSCOW, Sept 13: Russia's monopolies agreed a common anti-inflation strategy Saturday under which they will only increase prices once every three months, the Interfax agency reported, says AFP.

With many economists predicting hyperinflation in the months ahead, the big energy and transport companies also agreed not to buy materials or services at excessive rates.

The agreement was announced in a statement signed by the Federal Energy Commission, the Energy Ministry, the Railways Ministry, the transport industry monopolies regulator, gas giant Gazprom and the national electricity firm UES.

Indian aviation requirement PIA buys sophisticated system to prevent air collision

KATHMANDU, Sept 13: Pakistan International Airlines (PIA) is buying sophisticated systems to prevent air collisions under an Indian aviation requirement for foreign airlines flying through Indian airspace. The PIA placed an order with Alliedsignal for enhanced Airborne Collision Avoidance Systems (ACAS) for its fleet of Boeing 737 and Airbus 300 aircraft. The order is reported to be worth several million dollars.

Alliedsignal will also provide upgrades to existing systems in the PIA's fleet of Boeing 747 and Airbus A-310 aircraft, according to an announcement by Alliedsignal at the Farnborough air show, one of the largest in the world. The total order is for 16 new systems and 12 upgrades.

Alliedsignal said it is scheduled to deliver all the equipment "for installation before year end to meet a mandate of the Indian government

requiring second generation airborne collision avoidance systems by the end of the year." The Indian government imposed that requirement on all airlines flying into Indian airspace after the mid-air collision near Delhi in November 1996.

The order by the PIA had to be placed in a hurry because India is asking for this requirement a year before it is enforced even in Europe. The

U.S. enforced the requirement on all large passenger aircraft flying into the country since 1993. A large aircraft is defined as one with more than 30 seats or a take-off weight greater than 15,000 kg. "Such a requirement by a government on foreign airlines is standard practise in the airlines business," Janet Angus from Alliedsignal told IANS at the air show here.

The ACAS is the European

version of the Traffic Alert and Collision Avoidance Systems (TCAS) used in the United States to prevent mid-air collisions and near miss incidents among aircraft.

The ACAS gives pilots a "real-time display of surrounding aircraft and, when necessary, gives the flight crew visual and audible alerts and manoeuvring instructions to help them avoid a potential

SIA ready for zero growth if needs be

SINGAPORE, Sept 13: The national carrier, Singapore Airlines, is prepared for zero growth over the next two or three years to get through the economic crisis, a company official said Friday, reports AP.

The airline is deferring deliveries of at least 11 new aircraft during the next two years, deputy chairman Cheong Cheong Kong, said in a speech introducing new products.

"We are redeploying our aircraft from the troubled Asian arena to the less tumultuous European and Australasian routes," Cheong said.

While the government-controlled airline's profits "will be eroded considerably, it is highly unlikely, as of now, that it will end the financial year with a loss," he said.

Conflict with another aircraft. Alliedsignal said in its statement. Alliedsignal is based in Kansas in the U.S.

The new anti-collision system has been bought by a number of airlines at the Farnborough show, among them Bengal Air Services registered in India. The system will be installed on these aircraft too before the year-end.

The order for Bengal Air Services was a part of an order by a consortium of regional airlines that covers more than 200 aircraft. The aircraft types covered by this order are the Fokker 50, Fokker 27, Shorts 360, HS748, Saab 340, Ilyushin 76 and the ATR 72. Some of the other airlines in the consortium are Aer Lingus of Ireland, Contact Air of Germany, Icelandair, Norwegian Air Shuttle, Formosa Airlines of Taiwan, Neom Air of Nepal and East Line of Russia.

—India Abroad News Service