

Philippines may not impose control on currency, says central bank

MANILA, Sept 16: Amid speculation that Indonesia may impose some form of restrictions on the convertibility of its currency, Philippine Central Bank governor Gabriel Singson reiterated Wednesday that no capital controls on the peso are being considered, says AP.

Both the Central Bank and the Philippine government have repeatedly stressed since Malaysia imposed curbs on the convertibility of its currency that capital controls will not be imposed in the Philippines as a means of quelling foreign exchange volatility.

Suharto's son banned from leaving country amid bank probe

JAKARTA, Sept 16: The billionaire second son of former President Suharto has been banned from leaving Indonesia as investigators prepare to question him over the collapse of a bank partly owned by him, news reports said Wednesday, says AP.

Separately, Indonesia's attorney general said he and the national police chief will be part of a three-member team that will question Suharto about claims that he corruptly amassed a fortune during his 32 years in power and stashed millions of dollars abroad.

General Motors to raise stake in Suzuki Motors

TOKYO, Sept 16: General Motors Corp is strengthening its ties with Suzuki Motor Corp, a move that will include tripling GM's stake in Suzuki to about 10 per cent from 3.3 per cent, says AP.

US blasts Japanese protectionism Progress on APEC trade liberalisation stalled

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KUANTAN, Malaysia, Sept 16: Progress on trade liberalisation among Pacific Rim countries has stalled because Japan and other countries will not budge on opening their forests and fisheries to foreign competition, American delegates said Tuesday, reports AP.

Senior officials of the Asia-Pacific Economic Cooperation group finished a three-day meeting with no new trade pact for APEC leaders to sign when they meet in November.

The US delegation blamed Japan as the holdout, but other countries also balked at committing to details, although they gave lip service to the idea of opening up nine key industries by next year under the early Voluntary Sector Liberalisation pact.

"We're all for liberalisation," said Andrew Hsia, head of Taiwan's delegation. "All the economies are committed, but we're all so diverse. We're all asking for maximum flexibility in certain sectors, especially in fishing and forestry."



An elderly female farmer shouts during an anti-government rally to protest rising interest rates on their huge debt at the Boramae Park in Seoul on Tuesday. More than 20,000 farmers attended the rally, demanding that the government help shore up prices of farm products.

During the last APEC meeting in northern Borneo in June, Japan stone-walled against liberalising fisheries and forestry, the sectors it sees as most vulnerable to foreign competition. Japanese delegates held to that stance this week, saying it would not make any concessions in those areas.

As the world's second largest economy, Japan has "a responsibility to make this succeed," Don Phillips, deputy head of the US delegation, said at the end of the meeting. "They have to work it out pragmatically, rather than say they can't do anything. It's really up to Japan."

With nothing agreed upon by the senior officials, there remains a lot of work to do by November. Phillips said, "We are hopeful by November we'll have something positive to announce."

Once completed, the plan would lift trade barriers in the areas of environmental products and services, energy, fisheries, forestry, toys, jewelry,

medical goods, chemical products and telecommunications. Russian delegate Andrei Denisov said that the economic and currency crises plaguing Russia would make it difficult for its wobbly economy to be immediately exposed to unfettered trade among APEC countries.

Liberalisation should be carried out "in an optimal, reasonable way" that will not scupper local businesses vulnerable to foreign competition, Denisov said.

"We're ready to participate in all nine sectors, partially and conditionally, on the basis of voluntarism," Wang Yusheng, head of the Chinese delegation, said Monday.

APEC groups Australia, Brunel, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand and the United States.

Russia, Vietnam and Peru will join in November.

IMF should impose penalties on int'l lenders, says Soros

WASHINGTON, Sept 16: The International Monetary Fund should impose penalties on international lenders as part of the conditions countries must accept in return for financial rescue packages, financier George Soros said Tuesday, reports AP.

Soros said Russia's economic situation was dire and he was not optimistic about the ability of Prime Minister Yevgeny Primakov to deal with the crisis. He also said that while he had invested in Russia he was not part of that country's system of cronyism.

Testifying before the House Banking Committee, Soros said the US Federal Reserve Board should cut interest rates to meet a global credit crunch that is beginning to affect the United States.

In IMF rescue packages, Soros said, the imbalance "in treatment between borrowers and lenders is a major source of instability in the global capitalist system and needs to be corrected."

By imposing conditions on lenders, Soros said, it will make them much less willing to embark on risky ventures in countries facing financial difficulties.

He said this was a long way from the US-IMF bailout of Mexico in 1995 when holders of Mexican treasury bills were paid off in full.

One of the major criticisms of the billion-dollar IMF rescue packages for Asia and Russia is that much of the money went to bailout international bankers who made bad investments.

On Russia, Soros said the West "missed a historic opportunity" to help the country make the transition from socialism to capitalism when the Soviet Union collapsed in 1991.

He said the new government of Primakov "was a reversion to a regime that collapsed and will not have people who can deal with the dire emergency" the country is facing.

Rep Spencer Bachus asked Soros if he was one of the cronies known as the oligarchs in Russia who had made millions by siphoning off the country's assets.

Soros replied that though his foundation plays a significant role in the country, "I made it a matter of concern to avoid conflict of interest and only invested where others did and where terms were equal and there was no favoritism."

Rubin to Congress Replenish IMF accounts

CHARLOTTE, North Carolina, Sept 16: Treasury Secretary Robert Rubin Monday called on Congress to replenish International Monetary Fund accounts as a way to help protect the US economy from global financial turmoil, says AP.

"Every day that Congress does not approve funding the IMF is another day we are at risk in a way we should not be," he told several hundred business leaders meeting in Charlotte.

The agency cited increased competition in Japan's financial sector as a result of its "big bang" financial reforms will put further pressure on the Japanese banking system.

"The banks' ability to resolve credit quality problems is

lacked the credit skills to deal with the problem and warned that the cost to the government was likely to be high.

In Japan, Standard and Poor's estimated problem assets could amount to about 20 per cent of the total, higher than its previous estimate of 15 per cent.

The upward revision reflects the depth of the country's recession, the report said, adding the costs of recapitalising the teetering financial system could amount to 10 to 15 per cent of gross domestic product.

Malaysia's crude palm oil exports rise

KUALA LUMPUR, Sept 16: Malaysia's crude palm oil exports rose 20 per cent month-on-month to 759,565 tonnes in August, the Palm Oil Registration and Licensing Authority said yesterday, reports AFP.

Export of palm kernel cake surged 49 per cent from July to 132,841 tonnes but palm kernel oil exports dipped 8.7 per cent to 41,238 tonnes it said in data release through Bernama news agency.

Total crude palm oil production rose 9.1 per cent in August to 843,082 tonnes, with peninsular Malaysia accounting for 71 per cent of output and the rest from Sabah and Sarawak on Borneo Island.

Production of palm kernel grew 11.4 per cent to 244,219 tonnes, palm kernel oil was up 15 per cent to 106,708 tonnes while palm kernel cake output rose 19 per cent to 129,504 tonnes.

The country's crude palm oil stock declined 19 per cent from the previous month to 282,864 tonnes.

Malaysia is the world's largest palm oil producer, accounting for nearly 60 per cent of the world's total output and one-fifth of the international oil and fats trade.

Japan poaching Southern Bluefin Tuna: Greenpeace

SYDNEY, Sept 16: Japanese fishermen are using flag-of-convenience ships to bypass the international treaty and poach Southern Bluefin Tuna, environmental group Greenpeace claimed Wednesday, reports AP.

Greenpeace called on the Australian government to bring Japan before the International Court of Justice for alleged breaches of the Convention on the Conservation of Southern Bluefin Tuna.

"Japan has been devious and underhanded by disguising its own fishing vessels by registering them in other countries," said Greenpeace spokesman Darren Gladman.

While politicians waste time, this fish is being driven to extinction.

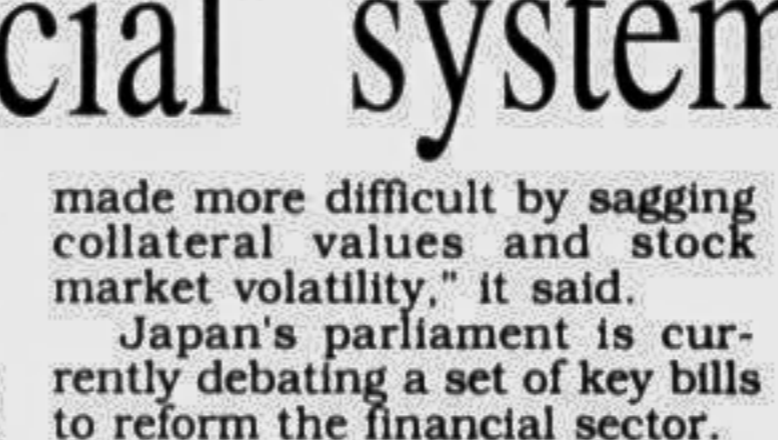
Australia, New Zealand and Japan are parties to the convention, which provides that fishing only be conducted with the consent of all parties.

Japan has exceeded its catch of Southern Bluefin Tuna agreed under the convention, saying the additional catch was experimental and would help assess tuna stocks.

The Australian government earlier this month sent Japan a diplomatic note to say that it believed its experimental fishing programme was in violation of international law.

Greenpeace said the World Conservation Union has declared the Southern Bluefin Tuna a critically endangered species, and that Australian scientists predict that at current fishing levels, there is a greater than 60 per cent likelihood that the adult population will be reduced to zero by 2020.

"Fish stocks are being poached from right under our nose. Japan continues to break the law and Australia must take decisive action," Gladman said.



Standard Chartered Bank Bangladesh employees donated their one day's salary to BRAC for the country's flood victims. Picture shows Geoff Williams, Chief Executive of the bank, handing over the cheque to the Executive Director of BRAC FH Abed yesterday.

— StanChart photo

Myanmar to postpone WB loan repayment

YANGON, Sept 16: The Myanmar government has decided to postpone the repayment of loans to the World Bank (WB), according to the official information sheet Tuesday, reports Xinhua.

The WB recently declared Myanmar ineligible for new loans because it has not repaid the outstanding ones.

In response, the Myanmar embassy in Washington told the Washington post the postponement of the country's repayment will last until the WB treats Myanmar like other members and resumes lending.

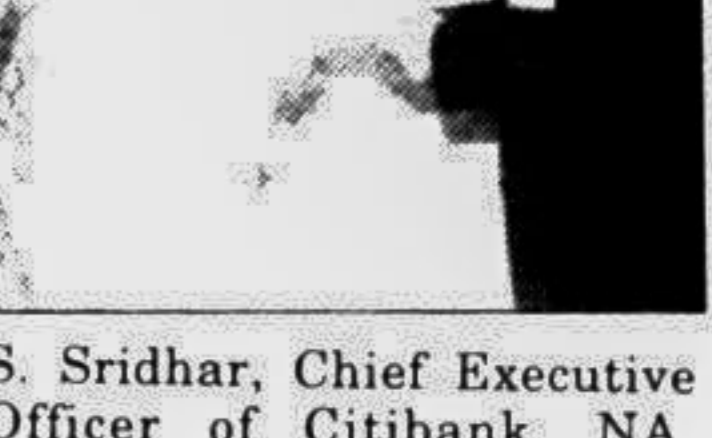
The WB has suspended all loans to Myanmar since 1987, giving the reason that Myanmar is unwilling to modify the highly-distortional economic policies that the bank concludes have created an environment in which external aid resources could not be efficiently utilised.

Complaining that even though it "has now opened its door and the situation has changed, the bank has not revised its stand," Myanmar said "this is not due to technical difficulties between the bank and the Myanmarese government but to the US policy blocking loans to Myanmar from all international financial institutions, including the WB, the International Monetary Fund

(IMF) and the Asian Development Bank (ADB)."

The information sheet warned that "unilateral sanctions have never been successful."

It pointed out that the slack, created by the departure of US investors, has been taken up by others from the ASEAN (Association of Southeast Asian Nations) and Europe, and the US investment (\$82 million US dollars) ranks only the fifth among those in Myanmar.



S. Sridhar, Chief Executive Officer of Citibank, NA, presents a cheque for Tk 5 lakh to Prime Minister for the flood affected people.

— Citibank photo

HK for China's entry into WTO before Taiwan

HONG KONG, Sept 16: Hong Kong supported Taiwan's application for the World Trade Organisation, but the island's accession should not come ahead of mainland China's, a top Hong Kong official said Wednesday, reports AP.

In a written reply to a legislator's question, Regina Ip, secretary for security, said "Hong Kong has long supported Chinese Taipei's application."

But the territory, a founding member of the WTO, would abide to an understanding that China's accession should come before that of Taiwan. Ip wrote.

She was referring to an understanding reached in 1992 by the general council of the WTO's predecessor, the General Agreement on Tariffs and Trade. A government spokeswoman elaborated that the understanding had extended to the WTO.

Ip added the timing of Taiwan's accession "hinges on the progress of the overall negotiation" and examination process necessary for its entry.

Ip's declaration was in line with that stance of China, which regained Hong Kong's sovereignty in July 1997.

Although economic relations between the two sides have warmed up considerably, China — which views Taiwan as

a renegade province — has said the island must not be admitted to the WTO ahead of it.

Relations across the Taiwan Strait have often been hostile since Chiang Kai-shek's Nationalists fled to Taiwan after losing a civil war to Mao Tse-tung's Communists in 1949.

Earlier this month, Taiwan and the United States signed a bilateral agreement for the island's accession to the trade organisation. To date, the island has signed trade agreements with 23 out of the 26 organisation members that requested bilateral talks.

Hong Kong, Canada and the European Union still need to sign with Taiwan.

Taiwan has successfully negotiated with all members that objected to its bid to join the 132-member trade body. Taiwanese officials said they hope to enter the WTO early next year, but much depends on China's attitude.

The WTO is the main international body governing global trade relations and setting fair trade rules. There is general agreement China should join the organisation and be bound by its responsibilities, but no agreement yet on the price for this.

EU, S Africa seek to wrap up free trade talks

BRUSSELS, Sept 16: The European Union and South Africa hope to conclude a free trade agreement this week despite lingering disputes over textile, farm, chemical and steel trade, a senior EU official said Monday, reports AP.

During three days of talks beginning Wednesday both sides will seek to wrap up four years of negotiations aimed at dismantling trade barriers.

"We'll be looking for some hard compromise," EU negotiator Philip Lowe said.

An agreement would cover roughly 90 per cent of bilateral trade, worth a total 17 billion European currency units (\$19 million). The agreement would have to be approved by all 15 member states.

Lowe said talks on tariff barriers in the textile industry would be particularly sensitive "for both sides, there's an employment angle," he said.

"There's anxiety on the EU side to allow for maximum access worldwide for its goods, and on the South African side they're worried about being swamped as they try to develop their market," Lowe said.

Other sensitive sectors include cars, chemicals and steel.

Agricultural talks will focus on fruit products — notably juices and processed canned fruits — as well as cereals and dairy products.

"South Africa is not happy with the EU offer on agriculture," said Brian Ritter, counselor at the South African embassy in Brussels.

Agriculture is a sensitive issue for many EU countries with large farming sectors, including France and Spain.

The two sides will also discuss the marketing and labeling of wine and spirit imports from South Africa into the EU. "The EU is anxious to maintain the specificity of labels like port and sherry," Lowe said.

Ongoing efforts to secure a bilateral free trade accord have stumbled over the past four years on tariff issues.

If an agreement is reached this week, it will be submitted to the EU executive Commission for approval in late September, and to EU foreign ministers when they meet on Oct 26.

But Lowe warned that any agreement reached is conditional to a successful accord in the fishing sector.

No date has been set yet for these talks.

S'pore's IT industry posts 32pc growth

SINGAPORE, Sept 16: Singapore's Information Technology (IT) industry posted strong 32.3 per cent growth in 1997 with total sales reaching 11.95 billion Singapore dollars (6.9 billion US dollars), officials said yesterday, reports AFP.

But the National Computer Board (NCB) said in a statement that due to the Asian economic crisis, both domestic and export markets are expected to weaken significantly in 1998. The industry saw 34.3 per cent expansion in 1996.

Last year's turnover for IT hardware, software and services — up from 9.04 billion dollars in 1996 — was led largely by the export market.

The IT industry covers sales of built-up computers and modems, computer programmes and services, and excludes sales of semiconductors, disk drives and other components, which have fallen sharply.

IT software sales grew the most in 1997, posting a 30.7 per cent increase compared to 13.8 per cent in 1996, while IT services growth rose to 33.8 per cent from 31.6 per cent. Hardware growth fell to 32.3 per cent from 37.8 per cent.

The increasing growth in IT software and services is in line with our goal to reinforce the NCB's objective to build up the IT industry in Singapore as a key component in the knowledge-based economy which the country is striving to achieve," the NCB said.

It said a survey of IT organisations projected a growth rate of 9.0 per cent for 1998, with hardware sales forecast to suffer the sharpest decline.

HK still remains int'l financial centre

HONG KONG, Sept 16: Hong Kong leader Tung Chee-hwa said Monday he is committed to preserving the territory's reputation as an international financial centre despite its recent intervention in the stock market, reports AP.

Government measures to curb market speculation and defend the Hong Kong currency have received public support, he said in a statement.

Last month, the government spent an estimated 15 per cent of its 96.5 billion dollars foreign reserves in buying stocks to drive out speculators, who wanted to drive down share prices and the Hong Kong dollar, which is pegged at 7.80 to the US currency.

Since then, new measures have been introduced to clamp down on speculators and also reduce the need for government intervention.

Tung said that when the financial markets are manipulated, the "free market system cannot function normally and investors will stop coming."

This is exactly the unusual situation our markets have been facing in recent months," he said.

He pointed out that the government measures are in line "with what is being done in major financial markets such as those in the United States, Britain and Australia."

Major changes in Canadian banking system suggested

TORONTO, Sept 16: A federal task force Tuesday recommended major changes in Canada's banking system that would allow foreign banks to open branches and lift a ban on mergers of the country's biggest banks, reports AP.

The task force report came at a crucial time for the banking industry in Canada, with the government facing a decision on two merger proposals involving four of the five largest banks.

Though executives of those banks said they were pleased by the report, the task force chairman sounded a cautious note, saying no mergers should be approved without a thorough public review of the consequences.

"We have not put a red stop light, nor have we issued a green light," said Harold Mackay. "What we have done is to put up a flashing yellow light."

The pending merger proposals would combine Royal Bank of Canada with Bank of Montreal, and Canadian Imperial Bank of Commerce with Toronto Dominion Bank.

Those banks say the mergers are necessary to enable them to compete internationally. Critics say the result will be job cuts, closure of neighborhood branch banks and higher service fees for customers.

Finance Minister Paul Martin, who has the final decision on the merger plans, indicated he is in no rush to make a judgment.

"This government wants to make clear that no major bank merger would be allowed to proceed without public hearings," Martin said.

In all, the task force made 124 recommendations, many aimed at protecting consumer rights in the financial sector.

Seven Asian nations in the red

S & P warns of flaws in financial systems of 16 economies

HONG KONG, Sept 16: Global credit rating agency Standard and Poor's warned yesterday of weaknesses in the financial systems of 16 economies, with up to 70 per cent of China's assets at risk, reports AP.

The New York-based credit assessor included seven Asian economies — China, Hong Kong, Japan, Malaysia, the Philippines, Singapore and Taiwan — among the 16 which revealed signs of deteriorating credit quality.

The others were Chile, the Czech Republic, Egypt, Greece, Israel, Lebanon, Panama, the Slovak Republic and the United States.

In a report received here, Standard and Poor's said excessive credit growth, weakening external funding profiles and deflating, or soon to be deflating, asset prices were a concern in all 16 economies.

"Some of these systems' fundamentals are so poor that half of their assets may become problematic. For others the decline will be relatively mild," it said in a special report.

Standard and Poor's said China's Gross Problematic Assets (GPA) could potentially range between 35 to 70 per cent of its total assets.

The upward revision reflects the depth of the country's recession, the report said, adding the costs of recapitalising the teetering financial system could amount to 10 to 15 per cent of gross domestic product.

The agency said increased competition in Japan's financial sector as a result of its "big bang" financial reforms will put further pressure on the Japanese banking system.

"The banks' ability to resolve credit quality problems is

made more difficult by sagging collateral values and stock market volatility," it said.

Japan's parliament is currently debating a set of key bills to reform the financial sector.

Hong Kong's banks are well managed and the territory has a "solid regulatory environment," but S and P said the system could still come under severe pressure if the local currency's link to the US dollar is broken.

The report said Hong Kong's credit growth has been high and it is now faced with increasing exposure to declining property and stock markets which have slumped drastically in the past year.

Standard and Poor's last month downgraded Hong Kong's sovereign credit rating due to the deepening recession and in part to the government's decision

to intervene heavily in the markets to stanch out speculation against the local dollar.

The agency also revised upwards its forecasts for gross problematic assets in South Korea, Thailand, Indonesia and Malaysia due to the prolonged nature of the financial crisis.