US House Speaker criticises IMF, Camdessus

WASHINGTON, Sept 19: US Speaker of the House Newt Gingrich on Friday stepped up his campaign against full US funding of the International Monetary Fund (IMF), referring to the IMF chief as a "French socialist," reports AFP.

"Unless we have serious, deep reforms and accountability, we're not turning 18 billion dollars over to a French socialist to throw it away, which is what he's been doing," Gingrich said in remarks to the Christian Coalition, a powerful religious group.

Frenchman Michel Camdessus, Managing Director of the IMF, is usually viewed as a pragmatist and an advocate of open markets.

On Thursday the House of Representatives approved only 3.4 billion dollars of the 18 billion dollars that President Bill Clinton is seeking for the IMF.

The measures now heads for conference between the House and the Senate, the upper house overwhelmingly approved full IMF funding, by a vote of 90 to two, on September 2.

Gingrich said the IMF has far less to do with global prosperity than Japan.

"If money were the answer, Russia would be prosperous. If money were the answer, public housing projects would be for sale. If money were the answer, Indonesia would be terrific," Gingrich said.

Informed of Gingrich's comments, White House Spokesman Bary Toiv said Friday that there was "an overwhelming consensus" that a strong IMF was critical to a stable global economy.

Clinton may veto House bill giving IMF only $3.4b

WASHINGTON, Sept 19: The House of Representatives has approved only 3.4 billion dollars of the 18 billion dollars President Bill Clinton is seeking to provide for the International Monetary Fund, eliciting a veto threat from the White House, reports AFP.

The IMF funding measure, included in a foreign operations bill, was passed late Thursday by a 255-161 vote, and will head for conference between the House and the Senate, where full IMF funding was overwhelmingly approved, by a vote of 90 to two, on September 2.

The White House issued a brief statement after the vote saying that Clinton would veto the bill in its current form, since it would undermine the United States world leadership.

Republican leaders blocked a vote by the House on the IMF funding measure by rewriting procedures to include only 3.4 billion dollars in funding.

4 Thai banks plan 20pc salary cut

BANGKOK, Sept 19: The economic crisis in Thailand may take another toll on bank employees as the country's four major commercial banks are considering plans for deep cuts in their employee salary scales, the Bangkok Post newspaper said today, reports Xinhua.

A banking labour union said that cuts as much as 20 per cent had been proposed by the banks' management.

If the banks — Bangkok Bank (BBL), Thai Farmers Bank (TFB), Siam Commercial Bank and Bank of Ayudhya — go ahead with their plans, more than 63,000 employees will be hard hit, the newspaper said, quoting TFB's labour union President Worachart Asantarit.

Speaking on behalf of labour unions and employees of all 15 banks, Worachart said the government should intervene to prevent further aggravation of employees' financial burden.

He threatened to call strikes if the banks management do not revise their plans.

Moscow moves to carry out bank bailout

Russia, Ukraine agree to form 'anti-crisis' group

MOSCOW, Sept 19: The government moved ahead on dual fronts Saturday to rescue the failing economy, carrying out a complicated bank bailout and signing an 'anti-crisis' agreement with neighbouring Ukraine, says AP.

The Communist Party, meanwhile, held its annual party plenum — once the central event in the nation's political life and its leader once again called on President Boris Yeltsin to resign.

Yeltsin was busy hosting his Ukrainian counterpart, Leonid Kuchma, whose own country is taking a pounding from the economic storm lashing Russia. The two leaders agreed to create an "anti-crisis group" that will look into ways they can shore up their economies together.

In particular, the two presidents said they would take urgent measures to stop a decline in trade between the two countries, Yeltsin press service said.

Kuchma said afterward that he and Yeltsin "affirmed the path of strategic partnership," the ITAR-Tass news agency said.

The Russian economy is at a near standstill after the events of the past month, during which the ruble has been devalued, the country has defaulted on its foreign loans and has changed government.

The new government, under Prime Minister Yevgeny Primakov, began to formulate an economic programme in the past week that relies in part on printing more money and imposing some Soviet-style controls over the economy.

Nevertheless, Primakov has insisted that he remains dedicated to market-oriented economic reform.

Details emerged Saturday about the government's plan to bail out the country's failing commercial banks, which were caught short by the ruble devaluation and are on the brink of bankruptcy.

According to accounts in the Moscow Times, Izvestia and other newspapers, the Central Bank is moving to buy back treasury bonds — now virtually worthless — from the private banks, using freshly printed rubles.

Although it is not clear how much the Central Bank is offering for the bonds, known as GKOs, it is clearly far more than their value, and is intended to prime the banks' pumps so they can begin paying debts and getting money back into the economy.

The Moscow Times said the process began Friday evening and was to be completed Saturday. However, one Central Bank official, commenting on condition of anonymity, said the process would take several days.

The Central Bank's spokeswoman was not answering her telephone Saturday and there was no official word on the bailout operation.

The debt swap is expected to involve the printing of billions of new rubles, which almost certainly will contribute to inflation. Consumer prices have already begun to soar after being kept under control for more than a year.

The Russian Communist Party, the dominant voice in parliament, has so far acquiesced in the economic programme which is being shaped in part by one of its members, new Deputy Prime Minister Yuri Maslyukov.

However, the party remains strongly opposed to Yeltsin's presidency, and met Saturday intending to fine-tune plans for a national day of protest scheduled for Oct. 7.

Entering the plenum, which once set the course of the Soviet Union, Communist leader Gennady Zyuganov repeated his oft-spoken call for Yeltsin's resignation.

"The country is being ruled by lawlessness, anarchy and a home-bound president," Zyuganov told the Interfax news agency.

Yeltsin has spent most of his time recently at the presidential "Rus" residence. His summit with Kuchma was originally to have been in Ukraine, but was switched at the last minute to Yeltsin's residence.

Aides have continued to insist that Yeltsin is healthy, however.

US urges Japan to pump public money into its banking sector

TOKYO, Sept 19: The United States yesterday urged Japan to pump public money into its ailing banking sector and quickly break the stalemate delaying passage of rescue legislation, reports AFP.

Washington believed the injection of taxpayers' money into the financial sector was "essential", US under secretary for economic, business and agricultural affairs Stuart Eizenstat told a news conference.

Eizenstat recalled US Treasury Secretary Robert Rubin's statement two days ago "when he called on both opposition and majority parties to work out their differences over the banking bills."

This would allow "a result that we hope will include provisions for substantial funding to deal with the bad debt and address the problem of weak but insolvent banks," he said at the US embassy here.

Prime Minister Keizo Obuchi battled to the last minute yesterday to snap a deadlock and get a deal to salvage the finance sector that he can take to US President Bill Clinton at a New York summit next week.

His ruling Liberal Democratic Party has ditched most of its planned legislation in a desperate effort to get agreement from opposition parties who control the upper house of parliament.

Opposition parties are fighting for a tougher stance in dealing with ailing banks such as Long-Term Credit Bank of Japan Ltd.

Eizenstat said there was increasing confidence Japan would take action in stimulating its economy, strengthening the banking sector and deregulating and opening its markets.

While the United States was doing it best to help assuage economic crises, "Japan as the largest economy in the region must play its part," the US officials said.

"Plainly, the recovery of Asia depends on the recovery of Japan which in turn depends on fiscal stimulus as long as needed until growth resumes, genuine deregulation and dealing with Japan's serious banking problems.

Japan's economy has contracted for a record three quarters.

Eizenstat said Japan must absorb more exports from South Korea, Thailand, Indonesia and other Asian nations, "the burden cannot rest on our shoulders alone."

"My message is that Japan and the United States must be global economic partners to help the world avert a financial crisis."

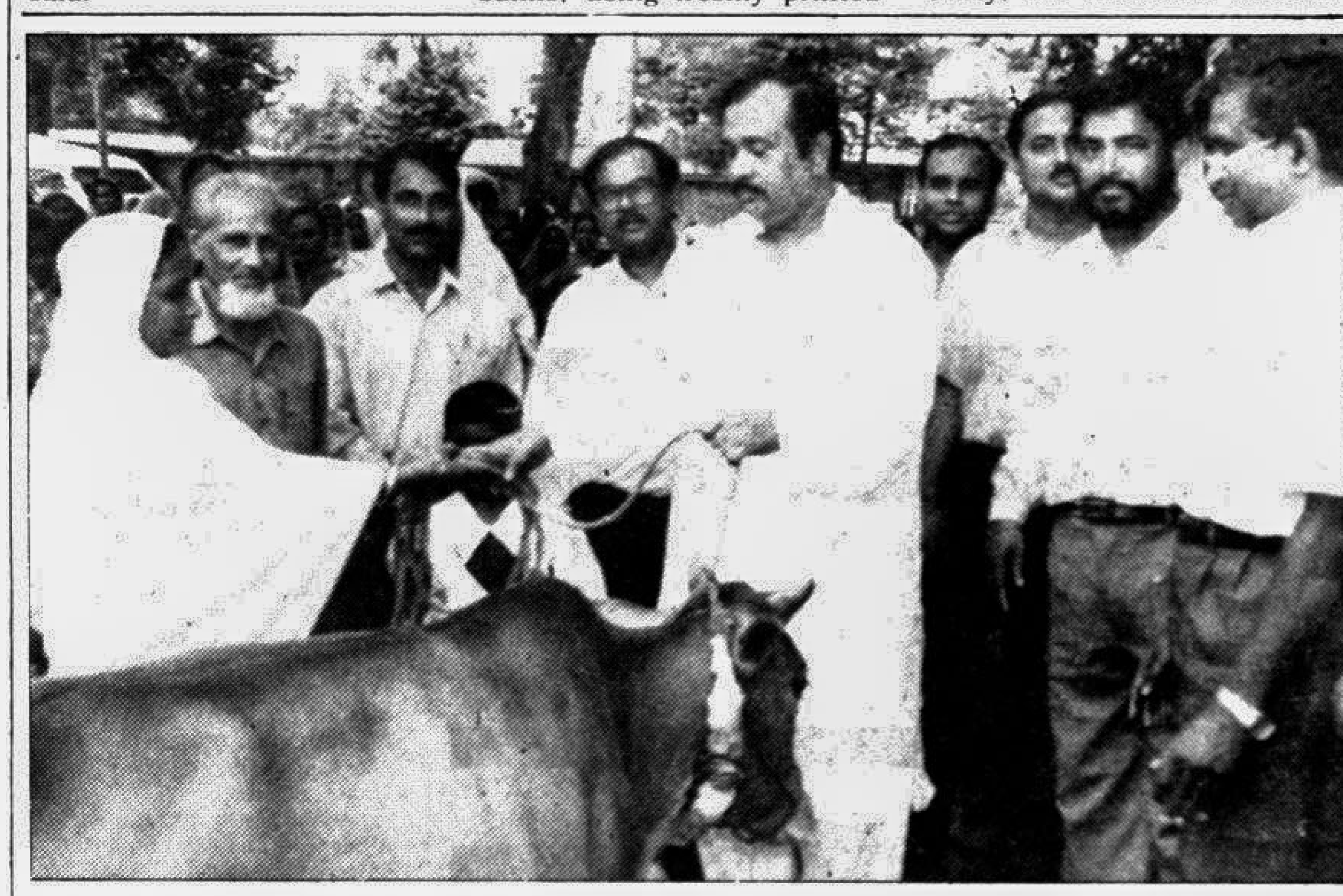
Voicing deep concern about Japan's rising trade surplus with the United States, he said it was "critical that Japan's recovery be, as the government of Japan, itself has insisted, domestic demand-led, not export-led."

"Rising deficits threaten a protectionist backlash," Eizenstat said, urging Japan to resolve disputes over insurance, film flat glass and autos and auto parts in order to reduce tensions.

Japan's opposition groups — the Democratic Party, Liberal Party and Heiwa Kaikaku — adamantly oppose the ruling party's plan to pump in taxpayers' money to save LTCB, which has massive bad loans but claims to be solvent.

The opposition forces issued a joint memorandum demanding LTCB be liquidated by March 2001 after selling bad loans to a planned US-style Resolution Trust Crop.

They also want to strip the powerful finance ministry of its finance sector policy-making powers by January next year.



Chairman of the Rajshahi Krishi Unnayan Bank Tajul Islam Mohammad Farook hands over a cow to a poor woman on September 15 as part of the bank's Self-Reliance Credit Programme in which the bank will distribute cows, sewing machines and rickshaws among the helpless rural poor. — Star photo

US official slams Japan's lawmakers for slowing reforms

BANGKOK, Sept 19: Senior US trade official David Aaron wraped up a four-nation tour of Southeast Asia here yesterday by slamming Japanese lawmakers for their slow pace in reforming their country's moribund economy, says AFP.

The Under Secretary of Commerce for International Trade, who arrived in Thailand Wednesday after visiting Malaysia, Singapore and the Philippines, said Japan was having a "cruel impact" on the countries he had visited.

"The future is not entirely in their hands, because the speed at which they recover depends wholly on Japan," he said. "I just wish Japanese officials would visit and see for themselves.

"Japan's policy makers hold the fate of literally hundreds of millions of people in their hands," he added.

His comments came as the Japanese government on Friday announced a long-awaited deal with the main opposition democratic party to save the country's ailing banks.

Aaron said he was optimistic that most Southeast Asian nations, including Malaysia, Remained committed to reform and to the development of open economies.

"Countries in this region recognise their future is intertwined and realise that the well-being of their neighbours is very important."

"Despite some actions to the contrary, most countries I have visited believe reforms are the answer, not isolation, and that includes Malaysia," he said.

Aaron, speaking to reporters Thursday, reserved special praise for Thailand saying its commitment to open markets and reform would ensure it was the first ailing Asian economy to recover from the regional crisis."

He said capital controls such as those recently announced in Malaysia were "no substitute for reform" and reaffirmed the US government's pledge to standby troubled countries willing to take measures ordered by the International Monetary Fund (IMF).

Aaron is currently touring Southeast Asia with a delegation of 14 US company executives, trying to promote trade links in the private sector. He will leave here for Beijing today.

Malaysia warns

Developing nations may retreat to protectionist policies

KUALA LUMPUR, Sept 19: Malaysia has warned that developing countries could retreat to protectionist policies if any reforms of the international financial system disregarded their concerns, says AFP.

Foreign Minister Abdullah Ahmed Badawi said a reversion by countries to protectionism as a result of a disillusionment with the open market system "would be disastrous for every country in the long term."

His remarks in a speech Thursday at the Asia Society California centre in the United States came nearly three weeks after Malaysia instituted sweeping capital controls to insulate its markets.

Unless reforms take into account the concerns of developing nations, the danger is that reforms which target financial markets' globalisation will alienate these countries, Abdullah said in his speech released here.

"This can lead to a disappointment among developing countries on the open market economic system and retreat to a more nationalistic and inward-looking position," he said.

"For any reform to be meaningful and effective it cannot be imposed by a few on the rest."

Abdullah reiterated that Malaysia's capital controls, such as the ban on offshore trade of Malaysian shares and the withdrawal of the ringgit from international circulation, were measures of "last resort and temporary in nature."

"The introduction of these measures does not mean any lessening of Malaysia's commitment to the market mechanism and the trend towards liberalisation," he said.

"Malaysia will return to the previous arrangements of locating exchange rate and free capital flows once our economy recovers convincingly," he said.

Abdullah urged the United States to commit more resources to help speed up a recovery of Asian economies through more direct foreign investments into the region.

"With the depreciation of the ringgit, such investments in US dollars would bring more returns now than before the crisis," he said.

"By helping the Asian economies to recover, the US in fact is also helping its own economy. A rich Asia will make the US richer while a poor Asia will make it poorer."

Fallout from the regional economic crisis has begun to manifest itself in weakening US economic indicators announced recently, as well as in the collapse of Russia's economy and other emerging markets.

Abdullah hailed US President Bill Clinton's call for a special meeting in Washington soon between finance ministers of the Group of Seven developed nations and emerging economies.

He said such meeting would provide an opportunity to devise more open and fair regulations to govern world financial markets and exchange rate mechanisms.

But back home in Kuala Lumpur, Prime Minister Mahathir Mohamad scoffed at the call, saying the US was looking out for its "own interest."

"They are calling for such a meeting because they are facing problems, which are not ours," Mahathir was quoted as saying in the New Straits Times daily.

"If we continue to experience economic problems and they are not affected by this, they will not be calling for such a meeting .... This is for their own interest," he added.

Mahathir has consistently called for international measures to curb unbridled speculation, which has been largely blamed for the financial crisis sweeping East Asia.

No country can stand alone in financial crisis: Annan

UNITED NATIONS, Sept 19: Although financial turmoil and uncertainty is sweeping the world, no country can afford to insulate itself or ignore the less fortunate, the UN chief said, reports AP.

The current financial crisis that began more than a year ago in Asia "threatens to further widen the gap between rich and poor, both within countries and at the global level," Secretary-General Kofi Annan said at the end of a two-day conference that focused on the social and economic impact of the world's increasingly intertwined and interdependent economies.

"Globalisation is the dominant feature of our times, and we have no prospect of reversing it even if we wish to," he said. "What we have to do is devise ways of managing it better. We have to somehow maximise the benefits and to protect those who are in danger of becoming victims."

Annan said he recognised that many developing countries are going through very difficult times this year.

The temptation to retreat into nationalism or populism can be strong," he said. "But I am encouraged to see that, in almost every developing country, those false solutions are being rejected."

The United Nations, with nearly all the world's countries as members and the ability to involve not state actors, is uniquely equipped to help resolve the crisis, he said.

Annan praised Indonesian Foreign Minister Ali Alatas for urging conference members Thursday to work together to overcome one another's financial and social difficulties.

The collapse of Indonesia's currency last summer was part of as Asian financial crisis whose effects have spread across the globe, sparking riots in Indonesia and causing stock markets around the world to gyrate wildly.

"We also have a responsibility to ensure that nations do not react by turning away from each other. But by coming together to find solutions based on the founding principles, which we all have in common," Annan said.

Many UN officials and representatives of poorer countries also urged industrialised nations to remember that they shared responsibility for the crises. The industrial world reaped the benefits of developing nations' initial quick growth, they said.

"In many of the bodies where decisions affecting the world economy are taken . . . the strongest voices are those countries which have achieved economic success," Annan said.

Japan's steelmakers agree to reduce exports to US

TOKYO, Sept 19: Japan's steelmakers agreed Friday to reduce export to the United States in order to ease bilateral trade tension, a government spokesman said, reports AP.

Officials from major steelmakers made the promise in a meeting with Japan's Minister of Trade and Industry Kaoru Yosano, said ministry spokesman Ryusuke Takashima.

Harun-ur-Rashid Khan Monno, Chairman and Managing Director of Monno Group of Industries, distributes money among the workers and employees of the company who have been badly affected by the floods. — Monno photo

Commodity market: Gold, silver dip; oil, tea strong

LONDON, Sept 19: The tropical storm over the Gulf of Mexico gave a badly needed boost to flagging oil prices this week in London, amid growing calls from OPEC for producers to stick to production cuts and force up prices, reports AFP.

Brent, the reference North Sea crude, gained almost 10 cents a barrel on the international petroleum exchange.

The storm is threatening offshore operations and production, as well as the loading and unloading of tankers, prompting refineries to hoard reserves.

In addition, Saudi Arabia, Kuwait and Qatar called on other Organisation of Petroleum Exporting Countries to respect quota cuts aimed at slashing production by 1.365 million barrels a day.

Elsewhere on the commodities markets, base metals continued to lose ground, mostly due to hefty increases in warehouse stocks of the London Metal Exchange.

GOLD: Unwanted. Gold prices dipped towards the end of the week as investors moved away from the financial safe haven as the initial storm around the release of the report into President Bill Clinton's sex and lies scandal eased.

Gold closed on the London Bullion Market at about 290.55 dollars an ounce, down 4.5 dollars.

Prices also slid in response to the recovery of the dollar against the yen at the end of the week.

However, gold found some support as a refuge against inflation after the US federal reserve governor said he was concerned by price rises in the United States, analysts said.

SILVER: Dip. Silver dipped by four cents to 4.94 dollars an ounce on the London Bullion Market in the wake of gold.

COPPER: Piled up. Copper prices on the London Metal Exchange fell slightly this week, mainly due to a huge increase in LME warehouse reserves of 16,875 tonnes to 362,725 tonnes.

Three-month copper fell 43 dollars to 1,646.50 dollars a tonne.

Japan's Nippon mining announced plans for a 30,000 tonnes increase in capacity at its Saganoseki site, which produces 335,000 tonnes of copper annually.

LEAD: Sink. Three-month lead fell 4.75 dollars to 521.50 dollars a tonne under pressure from an LME stocks rise.

PALLADIUM AND PLATINUM: Flat. The two precious metals were halt this week, following the delivery last week of the first palladium supplies for 1998 to Japan.

The first deliveries of platinum and sister metal rhodium were to arrive in Japan in the coming days, Japanese traders said.

ZINC: Low. Three-month zinc lost 41 dollars to 993.50 dollars a tonne, largely due to a 4,650 tonnes increase in LME warehouse stocks to 369,500 tonnes.

The rise of the yen against the dollar, which usually lifts metal prices by making them cheaper to buy in the Asian markets, had no effect on zinc.

NICKEL: Dull. Three-month nickel prices weakened substantially, losing 70 dollars to 4,077.50 dollars a tonne, while LME warehouse stocks rose 510 tonnes to 59,022 tonnes.

Russia's Norilsk nickel, the biggest producer in the world, said its exports have not been affected by the country's political and economic turmoil, something that would have driven prices up.

TIN: Flat. Three-month tin fell 42.50 dollars to 3,377.50 dollars a tonne, while LME reserves rose 465 tonnes to 8,370 tonnes, amid quiet trading.

ALUMINIUM: Weak. Aluminium prices were hit this week by London Metal Exchange warehouse stocks rises, especially in Liverpool and in Helsinborg, Sweden.

Three-month aluminium fell 29 dollars to 1,342.50 dollars a tonne, while, LME reserves rose 27,300 tonnes to 501,400 tonnes.

The huge increase in stocks had been anticipated in prices last week, but rumours of new deliveries in coming weeks further depressed prices, traders said.

RUBBER: Flat. Rubber prices were stable this week, with September rubber on the London rubber index at 470 pounds a tonne, and October rubber at 475 pounds a tonne.

OIL: Hot. Brent the reference North Sea crude, rose to about 13.73 dollars a barrel for October, up from 13.62 dollars a week before, as storms in the Gulf of Mexico threatened delivery disruptions.

Traders said the tropical storm, was due to worsen, threatening both off-shore production in the Gulf and tanker traffic.

This has prevented investors from selling before the weekend, while refiners are building up reserves in case the weather does not improve.

In another boost for the flagging oil price, Kuwait, Qatar and Saudi Arabia appealed to OPEC and non-OPEC producers to stick to their agreements on reducing production quotas.

Kuwaiti Oil Minister Sheikh Saoud estimated that OPEC should make a new reduction this year if Brent does not rise above 17 dollars a barrel in November, before the next OPEC meeting.

Tension between Iran and the Taleban in Afghanistan also pushed up prices.

However, oil giant royal Dutch/Shell announced major cost cutting initiatives Friday, blaming the spreading global economic downturn and poor oil prices.

In the medium term, the price of oil could average 12 to 16 dollars a barrel from 18 dollars over the past 10 years, the company said.

COFFEE: Dark. Robusta coffee for November delivery fell sharply to 1,598 dollars a tonne from 1,679 dollars the previous week.

Supply was expected to remain finely balanced until December, when Vietnam's 1998-99 harvest will hit the markets, traders said.

Indonesia is expecting a good 1999-2000 harvest, starting in April 1999. After having suffered major droughts this season, production should increase by about 15 per cent to 6.7 million sacks next year.

TEA: Rich. Demand was firm at the Mombassa auctions this week the tea broker's association in London said, with top quality teas most sought after.

BP1 rose, while medium teas lost four to eight cents a kilo, and poor quality dust tea prices were very irregular, but generally down.

Tea prices have risen an average 1.70 dollars a kilo in July, compared to average rises of 2.20 dollars a kilo in June, the tea broker's association said.

Tea is Kenya's main export, mostly to Britain, Egypt and Pakistan.

SUGAR: Powder. White sugar prices rose this week on the back of a 70,000 tonne tender from Europe, as well as bargain hunting after last week's low prices.

Prices also rose in response to a decline in expectations of a Brazilian interest rates cut, which would have triggered massive selling by Brazilian producers to compensate.

There were added boosts to prices from South Korea's purchase of 50,000 tonnes, as well as a possible purchase of 100,000 tonnes from the Philippines, as well as predictions that Cuba's harvest will fall below three million tonnes.

Sugar on the LIFFE futures market for 1999 delivery closed at 223.2 dollars a tonne, from 217.50 dollars.

VEGETABLE OILS: Slippery. Soya prices fell this week after improved weather allowed early harvesting of what is expected to be a bumper crop.

Also pressuring prices were increasingly aggressive exports from Brazil, which are taking over competition from Argentina, traders said.

GRAINS: Stale. The US grains market picked up on technical factors at the end of the week.

However, it was depressed by weakness on the international financial market and the lack of support from US federal reserve Chairman Alan Greenspan for a coordinated cut in interest rates in G7 countries.

European Union reform to wheat subsidies, threatening a blow to US wheat sales in Europe, also hit sentiment.

On the Chicago Board of Trade, September wheat rose five cents to 2.53 dollars for 27.2 kilos. September maize rose five cent to 1.95 dollars a bushel of 25.4 kilos.

COTTON: Frayed. Cotton prices kept falling this week in the face of improving conditions in US production areas and the start of some harvesting.

Despite heavy rain in the southern delta region and the last traces of tropical storm Frances in the Gulf of Mexico, first harvests are proving of excellent quality, although quantity is lower than last year.

WOOL: Unchanged. The wooltops index at Britain's Bradford market was unchanged at 300 pence a kilo.

However, Australia's market fell back to a four and a half year low, the Australian Council of Wool Exporters said, amid continued weak demand in Asia and other emerging markets.

Of 101,576 bales offered at the Sydney, Melbourne and Freemantle auctions, 85.9 per cent were sold.

The Australian Wool Exchange (AWEX) index closed 10 cents lower at 5.17 Australian dollars a kilo in Sydney.