

Crisis sparking increased govt intervention in Asia

SINGAPORE, Sept 21: Asia's financial crisis is sparking increasing government intervention and increasing the influence of state firms, an independent think tank said, reports AFP.

"The role of the state and state-owned companies seems to be filling a bigger share of the vacuum that is being left by an imploding domestic private sector," the Political and Economic Risk Consultancy (PERC) said in a weekend report.

It noted the growing role of the state in the hardest hit countries of Indonesia, Thailand and South Korea.

Economic restructuring, whether mandated by the International Monetary Fund or part of strategies proposed by international creditors, was being undermined by slowness in passing the necessary laws.

PERC said this was a "good indication of the opposition that continues to exist within these countries to a radical restructuring strategy."

The consultancy said the trend towards more government international was also evident in the economies less affected by the turmoil - China, Hong Kong, Singapore and Taiwan.

The Hong Kong government intervened massively in the stock market in August for the first time in a move widely criticised abroad.

PERC said a survey showed that businessmen saw a rise in the existence of state-owned companies or cartels in eight of 11 Asian countries.

China was attempting to make state-owned enterprises stronger and more competitive, it said, while Malaysia was opting to help cartels with close political connections.

Malaysia this month imposed sweeping capital controls to insulate itself temporarily from the vagaries of the open market system.

S Korea wavers in its stance on bank job cuts

SEOUL, Sept 21: South Korea's financial watchdogs wavered yesterday in their tough stance on job cuts after bank unions threatened to launch a crippling strike next week over the issue, reports AFP.

Lee Hun-Jae, head of the powerful Financial Supervisory Committee (FSC), told a television talk show that banks would be allowed to reduce their redundant workforce by less than 35 per cent.

"Banks have already cut their personnel by upto 30 per cent so far this year. So they don't have to implement their job cut plans" as suggested earlier, Lee said.

His comment marked a slight departure from the FSC's earlier order that nine weak banks should shed up to 50 per cent of their workforce by the end of 1998.

The order sparked a wave of protests by unions of the nine institutions - Cho Hung, Commercial, Hanil, Korean Exchange, Peace, Kangwon, Chungbuk, Seoul and Korea First banks.

The banks have been under pressure to submit massive rehabilitation plans by the end of September or face closures as part of the government's reform drive to clean up the debt-ridden banking sector.

Some 5,000 members of the Korea federation of bank and financial unions marched in central Seoul Saturday, vowing to go on strike from September 29, the federation claims 114,000 members.

But the protestors indicated that they could cancel their planned strike if bosses and financial officials work out a compromise deal on minimizing job cuts.

They are not totally rejecting job cuts but asking for reduction to the minimum, a union leader said during a weekend rally.

Fischer warns Malaysia turmoil may be threat to APEC summit

HORSHAM, Australia, Sept 21: Deputy Prime Minister and Trade Minister Tim Fischer said Monday he feared political turmoil in Malaysia could end in violence and the cancellation of the APEC summit in Kuala Lumpur in November, says AFP.

"I have absolute fear that things might deteriorate very rapidly and that in turn will jeopardise the prospects of a constructive working meeting of APEC, the Asia-Pacific Economic Cooperation Forum, Fischer told journalist in the Victorian county town of Horsham."

"APEC is in a fragile state due to the economic difficulties faced by Asia. We certainly don't want to see the holding of the APEC leaders' summit and the build up meetings to APEC in any way reduced by the turmoil on the Malaysian political scene."

"I certainly hope it will be a peaceful circumstance over the next couple of months in Malaysia. I just don't want any threat to the holding of that APEC summit," he said.

Fischer's comments followed the arrest of former deputy prime minister Anwar Ibrahim.

Russian central bank prints new roubles, offers credits to banks

MOSCOW, Sept 21: Russia's Central Bank has printed almost one billion new roubles (66 million dollars) and issued short-term credits in a bid to get cash flowing through the frozen banking system, an official said Monday, reports AP.

Also, President Boris Yeltsin and Prime Minister Yevgeny Primakov met in the Kremlin with the aim of finalising the new cabinet and working out a plan to stabilise the jittery economy.

The government's biggest fear at present is that the country's shaky commercial banks will collapse. The Central Bank launched an emergency rescue plan on Friday to help ensure that payments would start circulating again.

Russia's financial crisis had caused a backlog of bank payments totalling over 30 billion roubles (two billion dollars)

Andrei Kozlov, the first deputy chairman of the Central Bank, told a news conference Monday.

The Central Bank on Friday helped to settle 10 billion roubles (666 million dollars) or one-third of the total owed between banks and their clients, Kozlov said.

As part of the effort, the Central Bank printed 900 million roubles (60 million dollars) and issued short-term credits to banks, Kozlov said.

Critics have accused the government of responding slowly to the economic crisis which hit last month. The rescue plan for the banks represents the biggest emergency effort so far.

Primakov has been in office 10 days, but has yet to outline an overall economic strategy or put his cabinet in place. Key jobs, such as the finance minister's post, have not been filled.

"We are going to finalize the personnel issue with (Primakov) today," Yeltsin said at the start of his meeting with the premier.

The cabinet formation is still on the way, but we have already been carrying out serious work," Primakov said.

The economy has been crumbling over the past month as the currency was devalued, inflation soared, and the country defaulted on its loans.

The virtual shutdown of the country's banks meant a moratorium on payments of all kinds, from salaries to the purchase of goods and services and left depositors cut off from their savings.

Primakov named Vice Premier Alexander Shokhin, considered a moderate reformer, to head Russia's delegation in talks with the International

Monetary Fund, Russian news agencies reported Monday.

An IMF mission arrived in Moscow on Friday for a week of talks with Russian officials to follow up on Russia's lending programme. The IMF organised a 22.6 billion dollar rescue package in July, but it did not ward off the crisis.

The Central Bank's rescue plan for the banks helped them clear their debts to one another with a so-called debt swap system, which allowed them to use reserves stored in the Central Bank to pay their liabilities.

However, the debt swap is expected to involve the printing of billions of new roubles in coming weeks and months, 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 launching ceremony of Improve 2 media optimisation software at Adcomm Ltd.

Adcomm launches media optimisation software

Adam Hodgson, Regional Director of Technologies of Initiative Media, was in Dhaka last week for installing Improve 2 media optimisation software at Adcomm, says a press release issued yesterday.

Adcomm is the tenth agency in Asia to have this software.

Improve 2 software allows a media planner to plan more effectively television media placements. With the aid of Sirius STRIP television rating data the software will be able to give the planners the most optimum plan according to a chosen communication goal.

The software, which is exclusively designed for use by Ammirati Puris Lintas, has been specially modified to meet the requirements of the television scenario in Bangladesh.

With the installation of this software, Adcomm takes yet one more step in providing its clients with the best media planning and buying tools.

To impart training to the Adcomm personnel on the use of Improve 2, Dewi Aziz, Associate Media Director, Ammirati Puris Lintas in Jakarta, is in Dhaka for two months.

WB withholds economic aid to PNG

PORT MORESBY, Papua New Guinea, Sept 21: The World Bank has refused to provide economic aid to Papua New Guinea while a former economist at the bank works for the government of Prime Minister Bill Skate, says AP.

The bank objected to the appointment of Pirouz Hamidian-Rad in a statement issued at the weekend which also expressed grave concern that the government had delayed implementing reforms in its national budget.

Skate and Treasury and Central Bank officials met with World Bank managing director Sven Sandstrom in Washington on Friday, hoping to secure Papua New Guinea kina 200 million (86 million US dollars) in loans from the World Bank and the International Monetary Fund.

The bank claims Hamidian-Rad, a former economist in the Papua New Guinea unit, breached bank rules which forbid ex-staff members working in areas in which they previously advised the bank.

"In its dialogue with (Skate's) delegation, the World Bank confirmed its position that any progress on structural adjustment financing rests on resolving the issue of the employment of former Bank staff member Pirouz Hamidian-Rad, to the bank's satisfaction."

The bank reaffirmed its commitment to supporting economic reforms for the nation's ailing economy but said it held "grave concern with the lack of progress" of implementing the government's policy programme outlined in the 1998 budget.

Dollar gains ground against yen Japanese share prices tumble to 12-year low

TOKYO, Sept 21: Worry a legislative compromise to resolve Japan's banking crisis was in danger of falling apart, stocks prices tumbled to the lowest level in 12 years on Monday and the US dollar gained ground against the yen, reports AP.

The benchmark 225-issue Nikkei Stock Average posted its lowest close since February, 1986, sliding 385.82 points, or 2.76 per cent, to finish the day at 13,597.30. On Friday, it had closed up 123.98 points, or 0.89 per cent.

The Nikkei sank from the outset of trading as investors sold off shares amid concern an agreement between the ruling party and opposition forces in Parliament on a set of bank stabilisation bills appeared to be unraveling, traders said.

There will be no stopping the fall in shares if the ruling and opposition parties do not make the content of the bills clear," said Sachio Ishikawa, general manager of the stock division at Chuo Securities Co.

On Friday, Prime Minister Keizo Obuchi's ruling party stuck an accord with the opposition in an attempt to deal with the huge load of bad loans burdening the banking industry. It called for closing or nationalising insolvent lenders and buying up bad debt with public money.

But lawmakers signalled Monday that they remained at odds over a number of key issues, such as the use of a 13 trillion yen (\$97.7 billion) pool of funds for bank bailouts, a proposed rescue of the long-term Bank of Japan Ltd and plans to curtail the regulatory powers of the Finance Ministry.

Shares of LTCB recovered to 21 yen (\$0.16) after dipping to an all-time low of 18 yen (\$0.14) during trading on Friday. All other major bank shares also lost ground, including industry leader Bank of Tokyo-Mitsubishi Ltd., which closed 5.8 per cent lower.

Led by bank shares, the broader Tokyo Price Index of all issues listed on the first section of the Tokyo Stock Exchange declined 25.43 points, or 2.37 per cent, to close at 1,047.79. The TOPIX had closed up 4.16 points, or 0.39 per cent, on Friday.

An estimated 389 million shares changed hands on the first section, down from 454 million on Friday. Declining shares exceeded advancers 958 to 217, with 114 issues closing unchanged.

On the Tokyo foreign exchange market, meanwhile, the dollar bought 133.00 yen in late afternoon trading, up 0.90 yen from late Friday in Tokyo and also above its New York level of 132.60 yen on Friday.

The US currency moved higher against the yen amid a belief that the ruling party will face difficulty revising the proposed bills more to its liking following Friday's compromise deal, traders said.

Hang Seng Index falls 276 points

HONG KONG, Sept 21: Share prices tumbled Monday, with the key index slumping nearly four per cent, following sharp falls in Tokyo and uncertainties over a US presidential scandal, reports AP.

The benchmark Hang Seng Index fell 275.73 points, or 3.7 per cent, closing at 7,170.23. On Friday, the index had lost 130.61 points.

Turnover amounted to 3.21 billion Hong Kong dollars (US \$411 million), down from Friday's 4.39 billion Hong Kong dollars (US \$562 million).

Brokers said shares fell in reaction to the slump on the Tokyo Stock Exchange, where the key index hit a new 12-year low.

There are also uncertainties about the US political scene and economy, with concerns growing that President Bill Clinton could face impeachment.

World stocks plunge on Wall Street fears

LONDON, Sept 21: Stock prices plunged from Asia to Europe on Monday, with traders nervously anticipating more global economic turmoil and a fresh round of selling on Wall Street, reports AP.

Blue chips on the London Stock Exchange, Europe's biggest market, were off by about 2.2 per cent in the late morning, sinking further into the red for calendar 1998. Earlier, shares in Tokyo, the top Asian market, plunged to their lowest level in more than 12 years.

"The market's still going to be going through some major pockets of volatility," said James Shoot, a salesman at the London brokerage Schroders. "The US market is expected to be down a reasonable amount today, and that's being penciled in at the moment."

Early US stock futures trading indicated the Dow Jones industrial average would fall sharply when the New York Stock Exchange opened for business later Monday.

London's Financial Times-Stock Exchange 100-share index had plunged 115.5 points to

4,940.1 by late morning - pushing the so-called "footsie" down by 3.8 per cent since the end of 1997.

Frankfurt's Xetra DAX index was off by about three per cent in early dealings, while in Paris, the CAC 40 index fell by 3.8 per cent.

"Some companies are still to announce disappointing earnings forecasts, and this is the only thing investors are watching closely, no matter how good the macro-economic perspectives are," said Jean-Charles Gand, a trader at Societe Generale in Paris. Gand predicted the "volatile, bearish" conditions would persist.

Asian traders found lots of excuses for selling - including disputes over banking reform in Japan, Malaysian political troubles and President Bill Clinton's problems in Washington.

Few found any reasons to buy.

Tokyo's benchmark 225-issue Nikkei Stock Average lost 385.82 points, or 2.76 per cent, to finish the day at 13,597.30 - its lowest close since February 1986.



A week-long course for the sales and marketing executives of Rahimafrooz (Bangladesh) Limited was inaugurated by its Managing Director Feroz Rahim on Saturday at Dhaka Club. Picture shows the participants.

Asian currencies end week mixed

position leaders before Friday. The Japanese turned marginally higher Friday but the currency was rangebound ahead of an expected agreement on the bills.

AUSTRALIAN DOLLAR: Widely shifting sentiment on the prospects of a US cut in official interest rates will lend volatility to the Australian dollar in the week ahead, economists said.

The Australian dollar is showing signs of schizophrenia, colonial state bank chief economist Craio James said.

The local currency closed Friday at 59.11 US cents, from 59.91 cents a week ago and seemed stalled in the 59-60 cent range because of the uncertainty over the global economic picture.

The yen edged further down Thursday on the bank legislation deadlock as many expected an agreement between Prime Minister Keizo Obuchi and op-

por powers are not convinced of the global recession/deflation risk will see the Australian dollar gravitate to recent all time lows in the mid 50 US cent region," James said.

On the Reserve Bank of Australia's trade weighted index, the Australian dollar closed the week at 54.1 from 54.6 a week earlier.

NEW ZEALAND DOLLAR: The New Zealand dollar closed Friday steady worth 50.76 US cents.

"All the eyes are still on dollar/yen and the Aussie the US dollar against the yen actually made a little bit of recovery from overnight lows pushing the Kiwi lower at one stage," a currency dealer said.

HONG KONG DOLLAR: The Hong Kong dollar closed Friday at 7.747-7.748 to the greenback compared to 7.7488-7.7498 last week.

SINGAPORE DOLLAR: The Singapore dollar closed the week higher at 1.7200 from 1.7245 thanks to the appreciat-

ing yen.

INDONESIAN RUPIAH: The Indonesian rupiah closed the week Friday at 11,465 to the greenback compared to last week's closing off 11,550.

MALAYSIAN RINGGIT: The ringgit was fixed at 3.8000 to the dollar as part of sweeping foreign exchange controls announced by the central bank following the resignations of the governor and deputy governor.

Authorities also announced plans to abandon currency convertibility at the end of the month to "insulate" the economy from global turbulence.

The fixed rate is almost 12 per cent above the previous weeks closing level of 4.2350 ringgit to the dollar.

The controls cover external accounts, trade settlements and currency held by travellers and limit transactions to authorised institutions. Prime Minister Mahathir Mohamad said notes of 500 ringgit and 1,000 ringgit would be withdrawn

from circulation to discourage currency smuggling.

Some analysts predicted the emergence of a black market in foreign currencies.

The central bank said the rate for retail transactions must not be more than 3.7700-3.8300 for telegraphic transfers and 3.7600 for overdrafts the maximum spread for buying and selling of dollars, marks, sterling yen, Hong Kong dollars and Singapore dollars with money changers is two per cent.

PHILIPPINE PESO: The Philippine currency fell 0.5 per cent to 43.91 pesos to the dollar on September 18 from 43.70 pesos to the greenback on September 11.

SOUTH KOREAN WON: The South Korean won weakened to 1,364 won a week before to 1,390 won Saturday amid continuing instability in overseas markets.

South Korea's usable foreign exchange reserves rose to an

all-time high of 42.92 billion dollars as of September 15 from 41.35 billion at the end of August, the Bank of Korea said Wednesday.

Analysts however warn that positive foreign reserve levels do not mean the economy has recovered from the crisis and that these will fall later in the year as foreign debts mature. At least six billion dollars will have to be disbursed to cover outstanding foreign loans, coming due in the last months of the year.

TAIWAN DOLLAR: The Taiwan dollar dropped 0.1 per cent over the week to settle at 34,520 against the greenback Saturday.

The currency is expected to hover between 34,500 and 34,550 during next weeks trading, analysts said.

THAI BAHT: The Thai baht appreciated slightly against the US dollar to close Friday at 40.60-61 units, compared to its level of 40.73-74 at the close last week.

The baht stayed in a tight range throughout the week. The unit is mainly dependent on overseas factors especially the Japanese yen's movement.

US demand on Chinese export packaging termed 'unfair'

BEIJING, Sept 21: The US ban on Chinese exports packed in untreated wood crates is unreasonable and will hurt the interests of both the US and Chinese peoples, the "China Daily" quoted an expert on Sino-US relations as saying here, reports Xinhua.

Zhou Shijian, Vice-President of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters called the request of the United States an excessive one, which actually relates to the trade imbalance issue between the two countries.

The Agricultural Department of the United States recently announced its intention to ban goods in untreated solid-wood packaging from China to prevent entrance of Asian long-horned beetles into the country.

"Such beetles do exist in China, but they are also widespread in other countries such as Russia, Japan and southeast Asian nations," said an official from the state administration for entry-exit inspection and quarantine. "Why should Chinese exports be singled out for refusal?"

Japanese trade surplus rises again

TOKYO, Sept 21: Japan's trade surplus rose 24.7 per cent last month from a year ago as the nation's economic slowdown and a drop in crude oil prices lessened imports, the government said Monday, reports AP.

The trade surplus, a tally of goods exported minus imports without adjustment for seasonal factors, rose to 896.7 billion yen (6.72 billion dollars) from the same month last year, the Finance Ministry said.

Japan's politically sensitive surplus with the United States continued to climb, rising 28.4 per cent to 431 billion yen (3.23 billion dollars). It was the 23rd straight month of increase.

The overall trade surplus has now risen for 17 months straight compared to last year. Japan has come under increasing pressure to revive its recession-plagued economy and help struggling Asian nations by importing more from the region.

Japan's exports rose 2 per cent to 4.0 trillion yen (30 billion dollars) in August and imports fell 3 per cent to 3.1 trillion yen (23.3 billion dollars), officials said.

Japan's exports to the United States rose 15.3 per cent to 1.2 trillion yen (9 billion dollars) imports also rose, by 9.2 per cent, to 781.9 billion yen (5.87 billion dollars).

Exports to the United States were led by a 17 per cent rise in auto exports and a 175.3 per cent jump in steel exports, they said. A stronger dollar also helped push auto exports to the United States higher, Tokyo said.

The dollar averaged 143.48 yen in August, up sharply from 117.12 yen a year ago.

Overall, exports were led by a 29.4 per cent rise in engine exports from a year earlier and a 16.4 per cent rise in steel exports.

Falling oil prices, which dropped 14.6 per cent in August compared with the previous year, also boosted the trade surplus for Japan, which imports most of its oil.

The Finance Ministry, however, does not expect the trade surplus to continue to grow sharply over the long run because of the expansion of Japanese production overseas and government efforts to stimulate the economy.

Taiwan may lose \$4b in tax for its bid to join WTO

TAIPEI, Sept 21: Taiwan is expected to lose at least four billion US dollars in tax revenues over the next four years resulting from its bid to join the World Trade Organisation (WTO), a report said here, says AFP.

According to the plans unveiled by the finance ministry, tariffs on 2,469 items, which make up 30.47 per cent of all imported items, would be gradually lowered to zero by 2003, the Commercial Times said.

At the same time 4,437 items would have their import duties lowered below 10 per cent level. Only 679 items, notably agricultural and fisheries products, or 8.38 per cent on the import category, would have their tariffs stay at higher than 15 per cent.

The finance ministry said 142.35 billion Taiwan dollars (4.13 billion US dollars) would be lost in customs receipts, adding that tariffs on goods sold here would be brought down to an average 2.81 per cent.

Taiwan has several times slashed tariffs since it applied in 1990 to join the General Agreement on Tariffs and Trade (GATT) which preceded the WTO.

Twenty-six WTO contracting parties, except for Hong Kong, the European Union and Canada, have forged agreements with Taiwan on requirements for its accession into the Geneva-based global trade regulatory body.