

Camdessus defends tough prescription for Asia

WASHINGTON, Oct 2: IMF Managing Director Michel Camdessus yesterday defended the tough economic reform programmes imposed on crisis-hit Asian countries last year, reports AFP.

"If we were to go back to July-December last year when a succession of countries, led by Thailand, came to the International Monetary Fund for help, and if we were to know what we knew at that time, we would do the same thing," Camdessus told a news conference.

But the difference between today and then is that we have learned things," he added. "In hindsight, I would say that our monetary prescription was certainly right."

The initial austerity and reform packages agreed late last year were eased somewhat rapidly as the Thai, Indonesian and South Korean economies took a further battering.

Camdessus said that none of the vital lessons learned from the Asian crisis was the "linchpin" role of Japan in the regional economy, and the extent of the contagion effect in such situations.

Thailand asks US to extradite two finance executives

BANGKOK, Oct 2: He was once considered the whiz kid of Thailand's financial community. Now he's a fugitive from justice, says AFP.

Thailand's Foreign Ministry said on Friday that it is planning to ask the United States to extradite Pin Chakkapak, former president of Finance One, a failed finance company that was once the most successful in Thailand.

The ministry will also ask for the extradition of Termchai Pinyawat, the company's former managing director, said ministry spokesman Kobsak Chutikul.

Thailand's central bank has filed criminal charges of financial wrongdoing against the two, along with another executive from the company.

The government has received reports that Pin and Termchai fled to the United States several months ago but has not been able to confirm their exact whereabouts.

They are accused of violating the Credit Fancier Act by approving loans for 2.1 billion baht (\$32 million dollars) without collateral to loss-ridden companies, driving Finance One into bankruptcy.

Reckless lending, sometimes to business cronies and politicians, contributed to a crisis in Thailand's financial sector that led to the closing of 56 of the country's 93 finance companies by the government earlier this year.

The crumbling of Thailand's financial sector helped trigger the regional economic meltdown that began in 1997. The effects are still being felt as far away as Russia and South America as investor confidence in emerging markets continues to plummet.

Pin was once known as Thailand's Takeover King for the bold maneuvering that propelled his company to the forefront of the industry as Thailand's economy boomed in the early 1990s.

Detention of Anwar Obuchi won't boycott APEC summit

TOKYO, Oct 2: Japan's premier Keizo Obuchi will not boycott next month's Asia-Pacific summit in Malaysia over the detention of former deputy premier Anwar Ibrahim, a foreign ministry spokesman said today, reports AFP.

The prime minister has received an official invitation and we understand that the APEC summit meeting is to take place as scheduled," said the spokesman.

Widespread international concern has been expressed since Anwar appeared in court this week and accused police of beating him senseless on his first night in detention under a special security law.

On Thursday, Philippine President Joseph Estrada threatened a boycott of the Asia-Pacific Economic Cooperation (APEC) forum summit in Kuala Lumpur on November 17-18.

Malaysian Prime Minister Mahathir Mohamad said last week that he did not care if the summit was transferred, if that was the wish of member nations.

APEC has 18 members, including the United States, Japan and Canada but Russia's President Boris Yeltsin will also be joining US leader President Bill Clinton and Obuchi at the summit.

Japan has refrained from criticizing Anwar's detention. "Our stance, which remains the same as before, is that making any comments on their internal affairs would be inappropriate," said a foreign ministry official this week.

IMF, WB urge G7 to help pull global economy out of crisis

WASHINGTON, Oct 2: The heads of the IMF and the World Bank on Thursday urged the world's richest countries to spearhead efforts to pull the global economy out of the doldrums, reports AFP.

International Monetary Fund Managing Director Michel Camdessus and World Bank President James Wolfensohn, in separate press conferences here, insisted that the Group of Seven countries now had a responsibility to take the lead.

They hailed this week's decision by the US Federal Reserve to lower interest rates as a means to spur global growth as well as Japan's decision to make 30 billion dollars available to struggling Asian economies.

But they also stressed that Japan should at the same time take bolder action to stimulate its own economy to save as a regional growth engine.

In a speech in New York Thursday, US Treasury Secretary Robert Rubin likewise argued that the industrialised countries had to be aware that

their policies affected markets elsewhere.

Rubin also chided imprudent investors and creditors who failed to assess the risks involved in pouring excessive amounts of money into countries with fragile financial structures.

The comments came ahead of joint meetings next week of the IMF and the World Bank as well as a gathering here on Saturday of finance ministers and central bank governors from the Group of Seven — Britain, Canada, France, Germany, Italy, Japan and the United States.

Camdessus called on "the major players to discharge their full responsibilities for orderly growth in the world economy."

He commended the Federal Reserve for lowering its benchmark interest rate but said there was still room for a further easing in US monetary policy.

"I believe there is also room in Europe for a reduction of interest rates," said the IMF chief,

who predicted that European rates would likely come down with the introduction of a single European currency in January.

But he dismissed chances of a coordinated US-European rate cut, notably as the United States and Europe were at different stages in their growth cycles.

Camdessus said that with "efforts of the G7 in taking the lead for growth in the world, efforts to help countries out of the crisis, efforts to help countries resist contagion...I believe the markets will see that next year will be better than this one."

He appealed to Japan to "put its financial sector in order and to maintain, increase and sustain during 1999 the needed fiscal stimulus."

But he described Tokyo's offer to aid struggling economies elsewhere in Asia as "courageous and generous."

In his comments to reporters Wolfensohn said the G7 nations "had to understand that the problems of the developing and transitional economies are

their problems — and that realisation is not always there in the leadership, the parliaments of the different countries."

As the G7 countries exert "a disproportionate impact on developing and transitional economies," Wolfensohn said, "it would be my hope that they could take steps, as [Federal Reserve Chairman] Alan Greenspan did not other day... to re-stimulate these economies so that you can get an increase in demand and a return of confidence."

Rubin meanwhile declared in a speech in New York that "because of shortcomings in the major industrial countries affect all nations in the global economy, we must act to maintain stability and growth in our own economies as a source of strength for the rest of the world."

He also pointed to "the ill-discipline of creditors and investors in industrial nations," who extended credit and investment to emerging markets in amounts not justified by the underlying fundamentals.

'Response has been good' UN receives \$148m for relief operations in Bangladesh

NEW YORK, Oct 2: The United Nations has so far received cash and in kind contributions valued at over \$148 million for flood victims and relief efforts in Bangladesh, reports UNB.

This was confirmed yesterday in New York by a spokesman for the UN's office for the Coordination of Humanitarian Affairs (OCHA).

The contributions are being made in response to a joint appeal made by the United Nations and the Government of Bangladesh on September 4. OCHA in its initial estimated sought a total of \$223 million for emergency relief. The response so far has been very good," said a UN spokesman.

For its part, Bangladesh has mounted a careful campaign to present its case to the international community for urgent sustained assistance. At the United Nations, where Foreign Minister Abdus Samad Azad parlayed with dignitaries and foreign donors, more countries have assured Bangladesh of additional support.

In an exclusive interview with UNB, Bangladesh's Permanent Representative to the UN, Anwarul Karim Chowd-

hury said the Foreign Minister's appeal for help made last week at the General Assembly has received "tremendous support" from major donor countries. The minister also held meetings with foreign ministers of LDC and SAARC countries. "We are very hopeful," Chowdhury said.

One of the key thrusts of the current parleys has been to encourage the UN and multilateral bodies to do more — both short term and long — to help Bangladesh. In meetings with the UN Secretary-General and other key UN officials, this request was conveyed, Ambassador Chowdhury added.

The response from the UN has been quick. OCHA issued a flash appeal on September 4; the next day, Secretary-General Kofi Annan launched an appeal, urging emergency relief and immediate rehabilitation for flood victims.

In a separate initiative, the UN's World Food Programme has launched a campaign to provide emergency food to 20 million flood victims. WFP's Executive Director Catherine Bertini has said, in terms of numbers of people to be as-

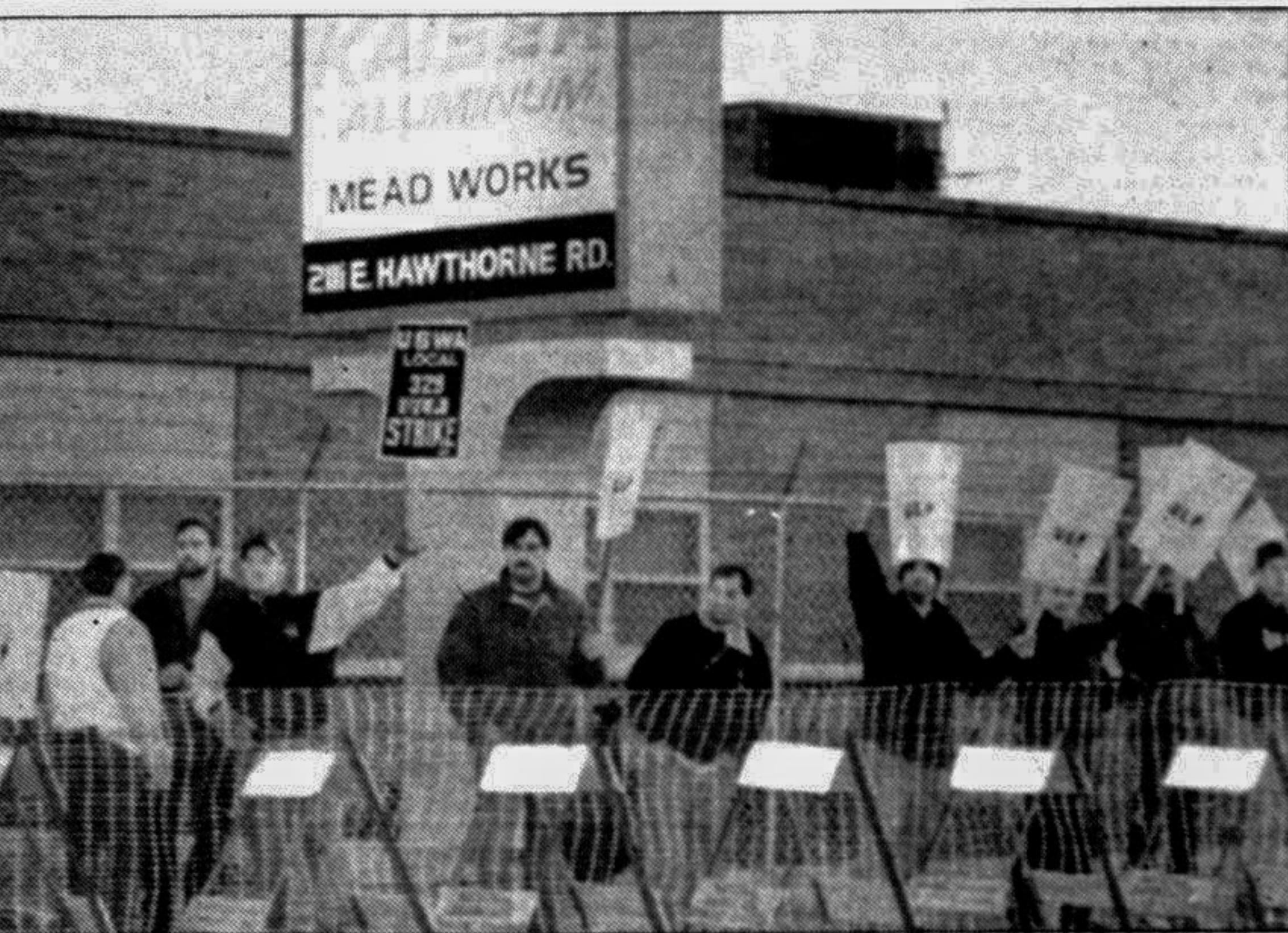
sisted, this will be the biggest emergency operation in WFP's history.

"The world has yet to fully grasp the magnitude of this disaster," Ms Bertini said in a statement issued from her office in Rome. After two months of flooding, "they have lost whatever assets they once had. Their savings are gone, and their main source of employment, agriculture day labour, has vanished. They desperately need food aid, at least until January when the rice crop is harvested," Ms Bertini said.

A report issued today by OCHA says WFP will spend \$48 million to provide 3,524,000 tons of wheat as basic rations and 3,500 tons of blended food. The first shipment by WFP arrived in Chittagong on September 16 with 52,000 metric ton of wheat, OCHA announced.

OCHA has also set up a website with information on the current status of international contributions. This can be accessed at www.reliefweb.int.

Expressing his satisfaction, Ambassador Chowdhury told UNB, though there is an obvious "aid fatigue" among the donors, Bangladesh is pleased with the international response.



Kaiser Aluminum workers from the United Steelworkers Union, Local 329, picket outside the Mead, Wash, plant of Kaiser in the early morning hours Thursday. Union members walked out on strike late Wednesday, after the master contract expired at the Mead smelter and other Kaiser plants. About 3,000 United Steelworkers members in three states have struck Kaiser Aluminum Corp, complaining that wages and benefits are below what other companies are paying. — AP/UNB photo

Oxfam dubs IMF/WB HIPC a 'whitewash'

LONDON, Oct 2: Aid agency Oxfam today dismissed as a "whitewash" an International Monetary Fund and World Bank review of a plan to help heavily indebted poor countries out of the debt trap, and demanded bolder action, reports Reuters.

The two multilateral institutions are expected to present draft amendments of their heavily indebted poor country (HIPC) initiative for approval at their annual meetings in Washington next week.

The HIPC review is a complete whitewash," Kevin Watkins, Oxfam's senior policy adviser, said in a news release.

The present debt relief initiative is delivering too little too late. It is farcical that in the two years since HIPC's launch only one country has received multilateral debt relief and only seven countries out of 41 have entered HIPC.

The IMF and World Bank launched the HIPC in 1996 to provide the most generous relief yet for reforming countries crippled by external debt, but critics say its conditions are too tough.

The seven countries that have so far qualified for HIPC relief, judged by criteria such as their ratio of debt to export income, are Uganda, Burkina Faso, Bolivia, Guyana, Ivory Coast, Mali and Mozambique.

But only Uganda has so far received concrete relief, as delays are built into the plan and qualifying countries must make good on a range of often painful reforms.

Germany's sued Deutsche Zeitung newspaper reported last month that the IMF and World Bank's confidential draft proposals involved extending the HIPC initiative by two years to allow more countries to qualify for debt relief.

The new proposals envisaged linking debt relief more closely to social developments and finding interim solutions for some states until HIPC measures took effect, the newspaper added.

Oxfam urged finance ministers gathered in Washington to reject the review and come up with more substantial proposals.

It said under current conditions, debt-distressed countries such as Tanzania or Nicaragua could wait until 2002 or beyond for HIPC relief, and might not qualify at all.

HIPC should include a "human development window" aimed at poverty reduction, giving faster and greater relief to countries that converted debt concessions into spending on basics such as health, education and sanitation, Oxfam said.

Move to prevent foreign trawler fishing Indian fishermen win support from 8 states

WELLINGTON, Oct 2: Traditional Indian coastal fishermen, fighting to prevent foreign trawlers from decimating fish stocks, have won support from eight other countries only a year after they sought offshore held in their struggle, their representative said Friday, reports AP.

Xavier Pinto, of the Indian National Fishworkers Forum, expects groups in all nine countries to take positive action on World Fisheries Day, Nov 21, against trawler fishing which he says is destroying world fish stocks.

"We believe we are gathering momentum, and we expect people will begin to understand the issues better" as more groups join the movement, Pinto told the Associated Press.

India's 800,000 traditional fish workers have declared the day a fishing holiday, and along with groups in Malaysia and Sri Lanka, will plant coastal mangrove areas to improve breeding grounds.

Pinto said the Indian fishworkers' struggle began in re-

sponse to a government plan to issue more than 2,600 trawler licenses to foreign fishing companies. The number was reduced to 33 licenses after a four-year protest campaign.

"We rely on fishing for our sustenance and our livelihood. Yet the industrial trawlers cut our nets and even shoot at our people. We've had six injured in shooting incidents."

"Our fight is to ban industrial fishing, foreign industrial trawlers, coastal pollution and fishery destruction," he said.

Industrial trawlers rob fishing communities of their livelihood around the world, he said.

Pinto said the latest coastal threat in India was a move by British shipper P and O to build a 30-berth container "mega port" at Wadhwan, only 75 miles (120 km) north of the port of Bombay, costing US 15 billion dollars.

The fight to halt the port would be taken to the British Parliament and directly to the company, he said.

Forex trade will remain unrestricted: Primakov

MOSCOW, Oct 2: Prime Minister Yevgeny Primakov denied yesterday that his government intended to curb foreign currency exchange in Russia to defend the rouble, saying that the purchase and sale of hard currency would remain unrestricted, news agencies said, reports AFP.

"All talk that the government could get a monopoly on the flow of hard currency into the country is totally worthless," Primakov was quoted by Interfax news agency as saying.

Cabinet ministers earlier discussed an economy crisis package drawn up by economic supremo Yury Maslyukov which includes strict controls on trade and circulation of foreign currency in Russia in a bid to defend the rouble.

But Primakov said the measures, which would severely limit currency dealing in the banking sector, were only the suggestions of one of his deputies, and had not been linked into the government's crisis package.

"This document is one of six versions possible which are circulating," Primakov said. "You have presented them as a programme, linking it to one of my deputies."

"I repeat once again, there is no programme, the government

will work out this programme," he told journalists in comments broadcast on Russian television.

Primakov added that other elements in the crisis programme would involve drawing billions of dollars hoarded by Russian citizens out into the real economy. This would also help stabilise the rouble, he said.

Primakov has taken three weeks to put together his government, which is still not complete, and to work out an economic programme to pull Russia and its currency out of a steep nosedive.

Sakura talks jt venture with Deutsche Bank

TOKYO, Oct 2: Sakura Bank Ltd. said Friday it is discussing a possible joint venture with Germany's Deutsche Bank AG to manage mutual funds, the latest large Japanese bank to look abroad for help in weathering deregulation at home, says AP.

Sakura said, however, that the tie-up with Deutsche Bank is just one option and no concrete decision has been made.

Asian currencies close mixed

SINGAPORE, Oct 2: Asian currencies closed mixed today amid weak sentiment on the US dollar following a stock market slump on Wall Street and in Latin America and expectations of further US interest-rate cuts, dealers said, reports AFP.

The Japanese yen firmed to 133 levels after opening around 135 to the dollar as investors were sidled ahead of a group of Seven (G7) meeting Saturday in Washington. It closed Asian trading hours here around 133.30 to the dollar.

The Singapore dollar closed stronger at 1.6875 to the US dollar from its close of 1.6879 the day before, off its highs for the day. Hedge funds bought up the currency when they unwound their long US dollar positions in early trade.

Troubles in US Hedge funds and in Latin American markets have affected the US dollar recently and given some respite to Asian currencies.

The Thai baht closed weaker at 39.55 from 39.45 to the dollar the day before, after a new corruption scandal forced Deputy Agriculture Minister Wirat Ratnanaset to resign.

The Indonesian rupiah ended barely lower at 10,750 from 10,725 per dollar.

The Philippine peso was also lower at 43.99 from 43.95 after initially rising on higher bank reserve requirements in Manila. The Taiwan dollar rose to 33,998 from 34,293, while the South Korean won was steady at 1,388 from 1,389 per dollar.

Barish sentiment on the dollar outweighed concern over Japan's troubles ahead of the G7 meeting in Washington.

"Investors are mostly sidelined, waiting for the G7 meeting," a Nippon Credit Bank (NCB) dealer said in Tokyo.

US employment data tonight is also of strong interest to investors, because if the data indicates strength in the US economy, then the Dow will react to that data," the dealer said.

Tokyo's fragile stocks finished barely higher Friday lifted only by bargain-hunting after falling through 13,000 points for the first time in nearly 13 years, brokers said.

Vietnam's export drops

HANOI, Oct 2: Ho Chi Minh City exports dropped 3.0 per cent from a year earlier to 2.78 billion dollars in the first nine months of the year, an official said yesterday, reports AFP.

The decline in exports from the former Saigon is the strongest evidence yet that Vietnam's economic powerhouse is running out of steam. Ho Chi Minh City accounts for 44 per cent of Vietnam's exports.

Earlier this week official statistics showed that industrial output in the metropolis was up just 7.4 per cent for the first nine months, almost a halving of last year's heady 13 per cent growth.

An official from the city department of statistics told AFP the export slowdown reflected the dramatic shrinkage of regional markets as well as plunging prices of commodities and manufacture items.

Shoes and textiles, the principal exports of the city's manufacturing sector were particularly hard hit.

The export slowdown was particularly acute in the domestic enterprise sector, which saw export earnings plunge 7.3 per cent to 2.29 billion dollars. However this was partially offset by foreign invested enterprises, which account for slightly more than one fifth of the city's export earnings, their exports grew 23.6 per cent.

Guard against global fluctuations E Asia must anchor currencies on a basket of monies: ADB

MANILA, Oct 2: East Asia must move to anchor regional currencies on a basket of monies as a shield against wild global market fluctuations, the head of the Asian Development Bank's (ADB) think tank said yesterday, reports AFP.

Jesus Estanislao, Dean of the Tokyo-based ADB Institute, said the basket should carry the US dollar, Japanese yen and the European euro — whose movements would have the greatest impact on local exchange rates.

The Asian crisis has resulted in the sharp depreciation of regional units in line with international foreign exchange rate changes, and one solution lies in stabilising these currencies, the former Philippine finance secretary said.

Contrary to popular belief, the meltdown did not originate from the devaluation of the Thai baht on July 2, 1998 but much earlier, he told a forum here.

It had its roots when China "unilaterally" devalued the yuan by about 35 per cent in 1994 and in 1995 when Japan

and the United States agreed on a weaker yen against the dollar. The yen at that time plunged to 125 against the dollar from about 80, he said.

"Almost everybody tells us that the crisis originated in Thailand. But the literature now and the analysis that is coming out is that this is not so," the veteran banker said.

The reality in East Asia... is that these economies have such small weight that they don't really count very much. The economies that really count and that determines the prospects and the immediate environment of East Asia are Japan, the United States and China."

Estanislao also noted that while the effects of the yuan devaluation and the weaker yen took time to set in, the region "did not read the signals right" and "pretended that nothing had changed."

One solution, Estanislao said, would be to "firmly anchor" Asian units on a basket of major currencies.

"The suggestion that is now coming out is that we do have a

basket in our international reserves. In the end, what we're talking about would be for many of these Asian economies to in fact keep a lot of their reserves in US dollars, in Japanese yen and probably in the European euro," he said.

"If you keep a basket, you minimise the fluctuations of your own currency."

The official said that "there is truth and there is substance" to concerns that China may devalue the yuan to make its exports competitive.

He noted that most activities by regional groupings have so far focused mainly on trade and investments.

For instance, the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) forum have had "very little to do with financial and monetary policy coordination" until recently.

"What we're trying to do is to bring financial and monetary cooperation and coordination into the very heart of East Asia," he said.

Malaysian ringgit becomes non-convertible overseas

KUALA LUMPUR, Oct 2: The Malaysian ringgit became non-convertible overseas yesterday as part of sweeping foreign exchange controls pushed by Prime Minister Mahathir Mohamad to shield the economy from foreign pressure, reports AFP.

The Malaysian unit can no longer be exchanged for foreign currency abroad, making it similar to other currencies such as the Chinese yuan and the Indian rupee.

Under the capital controls announced on September 1, the ringgit has been fixed at 3.80 to the dollar, up about 10 per cent from the end of August.

Malaysia is mired in its first recession in 13 years and resorted to the drastic capital curbs to resuscitate the economy by cutting interest rates

without fear of putting pressure on the ringgit.

With strict limits imposed on the amount of currency carried by both resident and non-resident travellers also coming into effect Thursday, a new black market for the ringgit is expected to flourish, analysts said.

Malaysians cannot take out more than 10,000 ringgit (2,632 dollars) in foreign exchange, and non-residents not more than 1,000 ringgit and foreign currencies limited to the amount they bring into Malaysia.

Special Functions Minister Daim Zainuddin recently said the new system was modelled on the foreign exchange regime of China, although authorities also considered the system in Chile and Slovenia.

Daim added that the central

bank had asked for an extra 400 staff to implement the controls which are expected to result in increased paperwork for banks seeking to remit funds abroad.

While Malaysia's new controls are being closely watched by other Asian countries with vulnerable currencies, the move had helped shelter the ringgit from further falls after its rapid depreciation since mid-1997 and set the pace for lower interest rates and other economy-fixing efforts.

Bank Negara Malaysia has assured that the country remained committed to the market mechanism and the trend towards liberalisation.

"Once there is a discernible normalisation of the currency and financial markets, Malaysia will return to the previous arrangement of free

capital flows," the central bank promised.

Simon Flint, Singapore-based economist for British financial house Idea, told AFP the controls would allow Malaysia to "pursue its own independent monetary policy" without worrying about the consequences for the exchange rate.

But Flint warned that the measures "may not be conducive to launch reforms in the banking sector and may result in a less efficient economy" over the long-term.

In Bangkok, Thai Foreign Minister Surin Pitsuwan warned that Malaysia's experiment in capital controls could compound the region's already severe economic problems.

"We believe the situation will

be solved soon because if there are delays it will affect the whole region and bring instability which may lead to more serious problems," he said.

In Ottawa, Deputy Finance Minister Wong See Wah told the Commonwealth finance minister's meeting that the government is fully aware that capital controls can distort and undermine long-term economic potential.

Wong was reported as saying that the central bank were not in line with orthodox policies in a promarket system but "under the present adverse circumstances, the options are limited."

Malaysia has not closed its doors to foreign investors or to the international economy as it still maintains a general currency convertibility, he

said.

In addition, free flows of foreign direct investment, free repatriation of interest, profits and dividends are guaranteed while the government is committed to all external debt payments, he added.

Wong said Malaysia is seeking a more comprehensive and permanent solution to restore stability in the international financial system but added that this can only be achieved through joint global efforts.

But Idea's Flint warned that Malaysia may have problems reverting to its previous system.

If you built an inefficient economy behind the wall of capital controls, it becomes even more difficult to lift the controls, he said, adding that the country could then "risk serious economic fallout."