

Japan's unemployment bounces back to record high

TOKYO, Oct 2: Japan's unemployment rate bounced back to a record high 4.3 per cent in August, boosted by an increase in corporate restructurings and bankruptcies, the government agency said Friday, reports AP.

The number of jobless people set a new record high of 2.97 million, the Statistics Bureau of the Management and Coordination Agency said.

The nation's work force shrank by 440,000 people to 65.46 million, contracting seven months in a row compared with year-earlier levels, the agency said.

The labour figures were the latest in the series of data that showed further deterioration of the Japanese economy.

'World's Biggest Coffee Morning with Nescafe' celebrated

Nestle Bangladesh Ltd, Unitrend Ltd. & Dhaka Sheraton Hotel joined hands to celebrate the 'World's Biggest Coffee Morning with Nescafe' at a city hotel yesterday, says a press release.

The event was attended by guests from all walks of life. Speaking on the occasion, John Lewer, Marketing Manager of Nestle and Zulfikar Ahmed, CEO of Unitrend appealed to guests to unite and support the MacMillan Cancer Relief Fund which is working towards ensuring every body's access to cancer treatment, care and diagnosis facilities. Guests mingled freely with each other while sipping from steaming mugs of Nescafe.

The event 'World's Biggest Coffee Morning' has attracted attention from all over the world and has been mentioned in the Guinness Book of World Records. On this very morning, millions of people get together to drink coffee and help support cancer relief fund.

Nescafe is marketed in Bangladesh by Nestle Bangladesh Ltd.

Canada to double its food aid for Bangladesh

Canada will double its food aid to Bangladesh from 2.5 million Canadian dollar to 5 million dollar to assist the country recover from flood damage, reports UNB.

Canadian Minister for International Cooperation Diane Marleau informed this when Finance Minister Shah A M S Kibria met with her in Ottawa Wednesday.

He apprised her of the recent devastating flood in Bangladesh and its economic implications and sought en-

hanced Canadian assistance for flood relief and rehabilitation.

He also elaborated the extent of damage caused by the deluge and outlined the massive relief operations and rehabilitation programmes taken by the government, according to a message received in Dhaka Friday.

Finance Minister Kibria on Wednesday had also a meeting with the President of Canadian International Development Agency (CIDA), Huguette La-

They reviewed Canadian assistance to Bangladesh and CIDA's future plans.

Labelle explained that the Canadian government had reduced its budget for external assistance in order to cut budgetary deficits.

She, however, said since their national budget has become balanced once again, foreign aid is likely to increase in the coming years.

While discussing the damage caused by the recent flood to

economy of Bangladesh, the CIDA president informed the finance minister about the allocation of an additional quantity of wheat for the flood victims.

She further assured him that Canada would fully participate in the post-flood rehabilitation programme.

Bangladesh High Commissioner in Canada M Aminul Islam and senior Canadian officials were present during the meetings.

A triple dose of good news for S Korea

SEOUL, Oct 2: South Korea received a triple dose of good news on the economic front yesterday as official data revealed a handsome trade surplus and soaring foreign exchange reserves amid a drop in bank interest rates, reports AP.

The country posted a 3.63 billion dollar customs-cleared trade surplus in September, bringing the nine-month surplus to 28.9 billion dollars, some 70 per cent of this year's target of a 40 billion dollar surplus.

The widening trade surplus also swelled South Korea's crucial foreign exchange reserves to 46.98 billion dollars at the end of September from 45.09 billion a month earlier, the Bank of Korea (BOK) said.

In addition, the central bank said the inter-bank overnight call rate fell to an all-time low of 7.03 per cent yesterday leading to a long-awaited lending rate cut by commercial banks.

Exports in the month fell 3.4 per cent year-on-year to 10.94 billion dollars, while imports nosedived 36.7 per cent to 7.31 billion dollars.

Nine-month exports were down 1.4 per cent from the same period of last year to 98 billion dollars, imports plunged a whopping 37.3 per cent to 69.1 billion dollars.

"We expect that the decrease in exports will slow down in October mainly thanks to the government support for export financing and other efforts to boost exports," Yoo Young-Sang, a senior trade official, said.

He attributed the sluggish exports to falling demand from crisis-hit Asia, a continued credit crunch and a downturn in business activity amid the country's economic restructur-

ing.

Exports to Japan, a main market for South Korean products, slid 16.9 per cent in August, following a 12.8 per cent drop in July.

The sluggish exports prompted South Korea to lower its interest rates and boost money supply as part of the urgent measures aimed at jump-starting the flagging economy.

The stimulus package was based on growing usable foreign exchange reserves estimated at 43.37 billion dollars at the end of September from the previous month's 41.35 billion dollars.

The rise in foreign exchange reserves reflects a 640 million dollars injection out of a seventh tranche of funds from the International Monetary Fund, the BOK said.

The central bank also said some 1.62 billion dollars in loan repayments by commercial banks contributed to the growth in reserves.

Seoul's foreign exchange reserves have soared to record levels since last December when they almost ran out, triggering the country's currency crisis which forced the world's 11th biggest economy to accept an IMF bailout.

Analysts however caution that the increasing foreign reserves do not mean the economy has recovered from crisis and that these will fall later in the year as foreign debts mature.

Meanwhile, the central bank said the benchmark three-year corporate bond yield was down sharply yesterday at 11.4 per cent, the lowest since June 1997.

The fall followed the BOK's decision Wednesday to cut its repurchase rate by one percentage point in order to push call rates down to seven per cent.

C'wealth ministers try to contain financial crisis

OTTAWA, Oct 2: Countries beset by financial crises should have the right to suspend payments to private-sector investors, Commonwealth finance ministers said Thursday, reports AP.

The ministers, concluding their two-day annual meeting, also expressed support for new rules to prevent investors from suddenly pulling out their money during crises.

"The world economy is in a state of turbulence, raising concerns about the stability of the international financial system," said Commonwealth secretary general Emeke Anyaoku.

As a result, the 48 finance ministers recommended holding a global meeting of industrial, emerging and developing countries by 2000 to map out changes and improvements.

"All members recognized a problem for each one of us is a problem for each one of us," said Jim Peterson, Canada's secretary of state for financial institutions. "There is no question about the need to act."

The ministers' recommendations will go to next week's annual meetings of the World Bank and International Monetary Fund in Washington.

The Commonwealth is an association of Britain and its former colonies.

Japanese trade with southern US may fall further

NEW ORLEANS, Oct 2: Japan's decreasing trade with Louisiana and other Southern states will probably worsen until the Asian nation pulls out of its deep recession, Japan's ambassador to the United States says, reports AP.

Japanese imports through the New Orleans customs district fell \$200 million from 1996 to 1997. Exports from the New Orleans district to Japan fell \$700 million during the same period.

"I'm afraid this trend will continue for some time until the Japanese economy recovers," Ambassador Kunihiko Saito said Thursday at the 1998 Japan-US Southern Conference.

Speaking to importers and exporters, Saito also denied his country is doing too little to end a financial crisis also affecting many other countries in Southeast Asia. He made the comments as Tokyo's stock market plunged to a 12-year low.

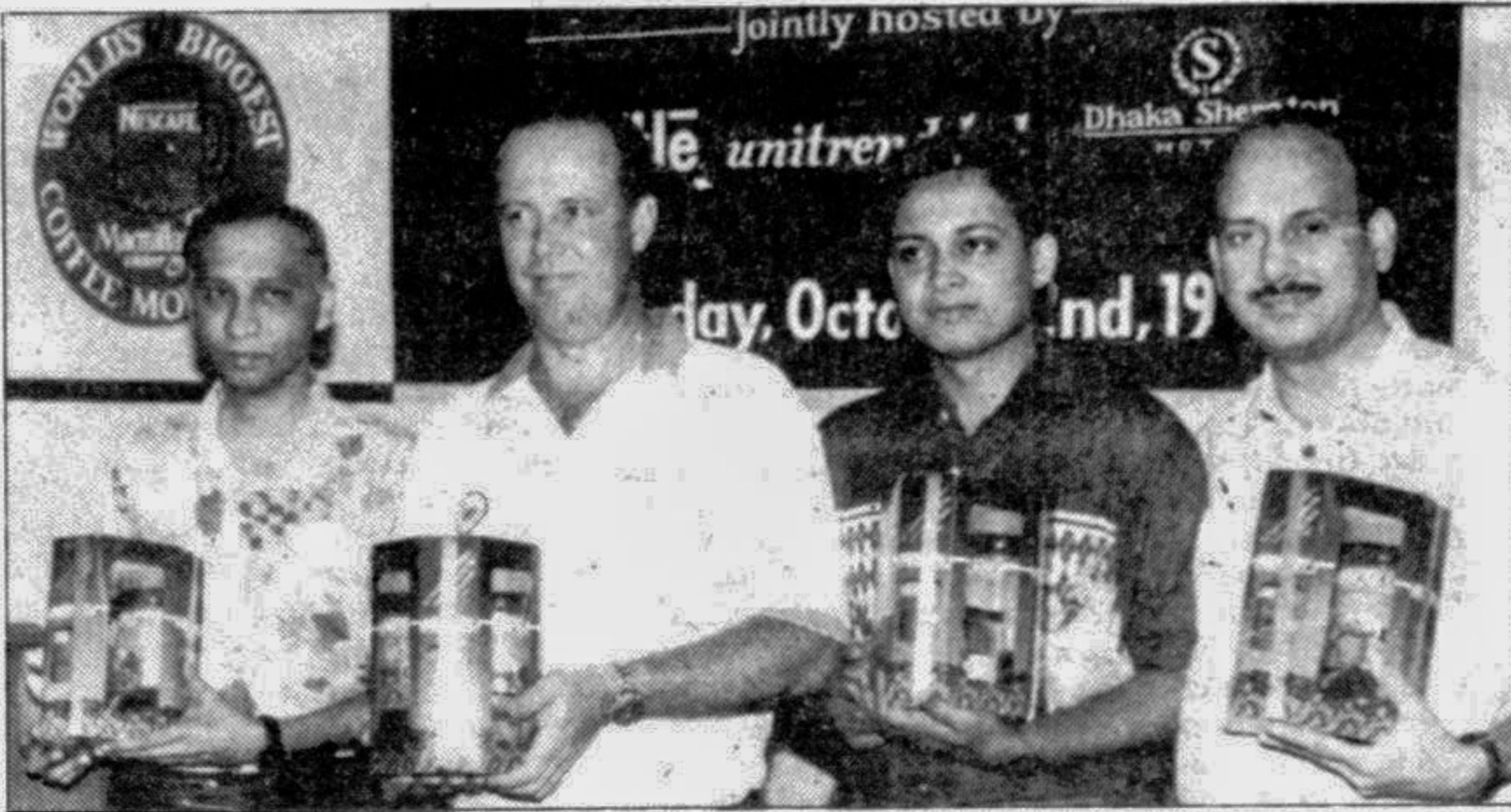
"Japan's political and business leaders are well aware of the seriousness and urgency of the problems facing the Japanese economy," Saito said. "They realise that unless Japan takes action, unless Japan changes, our nation will be left behind economically and technologically."

But Saito is under way to cut taxes, increase spending on public works and reform Japan's banking system won't solve the country's long-term economic problems, Saito said.

To solve its longer-term economic problems, Japan also must cut its huge budget deficit and reverse a low birth rate that threatens to create a shortage of workers and taxpayers. They'll be needed to pay rising pension and health care costs for Japan's rapidly increasing elderly population, Saito said.

"We have huge social welfare cost coming down the road as our population ages," he said.

Saito stressed that Japan has already spent \$43 billion on aid packages sponsored by the International Monetary Fund to help countries such as Thailand, Indonesia and South Korea.



John Lewer, Marketing Manager of Nestle, Zulfikar Ahmed, CEO of Unitrend, and two other participants pose with Nescafe packs at a function organised jointly by Nestle Bangladesh, Unitrend and Dhaka Sheraton Hotel to celebrate the 'World's Biggest Coffee Morning with Nescafe' yesterday.

'WB is in sound financial shape'

WASHINGTON, Oct 2: World Bank President James Wolfensohn yesterday said that his institution was in sound financial shape and faced no immediate danger of running out of capital, says AFP.

"I have absolutely no worries about the capital strength of the bank," he told a press conference here.

While the bank now had 105 billion dollars in outstanding loans, it also could rely on some 200 billion dollars in callable capital, retained earnings and other assets, he said.

"We're very, very safe, even in relation to what we call the trigger point, when we should start looking at capital, which is at 160 billion dollars," he told journalists ahead of the annual joint session here of the World Bank and the International Monetary Fund.

Most Asian stocks dip on Wall Street fall

TOKYO, Oct 2: Many Asian markets drifted lower on Friday as cautious investors withdrew funds from regional bourses following a second day of more than 200 point losses on Wall Street's key stock index, reports AP.

In Singapore, the Straits Times Index fell 11.05 points, or 1.2 per cent, to 904.97 in early trading on global recession fears triggered by the Dow Jones industrial average's two-day tumble, traders said.

The Dow, which plunged 237.90 points on Wednesday, suffered an additional 210.09 point loss — a decline of 2.7 per cent — to close Thursday at 7,632.53.

The selling spree, sparked by worries about shrinking corporate profits and fears of new financial crises, left the Dow 18.3 per cent, or more than 1,700 points, below the all-time high of 9,337.97 reached on July 17.

The closely-watched stock average slid 12.4 per cent in the third quarter, which ended Wednesday — its worst quar-

terly performance in eight years. The Dow is now 3.5 per cent below where it began this year.

Sinking stock prices in New York have kindled doubts about the ability of top-flight Asian manufacturers to rely on strong sales in the United States to keep their factories humming amid a prolonged slump in the home markets.

Led by shares of blue chip exporters, Japan's benchmark Nikkei Stock Average dipped below 13,000 for the first time since January of 1986 before recovering to close up 26.57 points, or 0.20 per cent, to 13,223.69.

Bourses in Manila and Taipei were hit hard Friday after sharp declines in the previous days' trading. The 30-share Philippine Stock Exchange Index lost 31.70 points, or 2.6 per cent, to close the week at 1,195.62.

In Taiwan, the Weighted Price Index of the Taiwan Stock Exchange plunged 266.06 points, or four per cent.

Saudi stock market falls

RIYADH, Oct 2: The Saudi stock market fell in the week ended yesterday as investors remained cautious over imminent third quarterly financial results, a Riyadh-based specialist financial institution said, reports AP.

The NCFI all-shares index closed at 162.3, or one per cent, down from 163.96 the previous week, said Bakheet Financial Advisors (BFA).

The Saudi stock market made a u-turn and lost ground this week influenced by investor staking a wait-and-see stand for the third quarterly results, Bakheet said.

Trading values for the week fell 39 per cent to 468 million riyals (124 million dollars), from 764 million riyals (203 million dollars).

The shares of 12 companies went up, 32 were down, 18 were unchanged and 10 did not trade.

The NCFEI has lost 17.1 per cent in value since the start of the year, mainly due to weak oil prices which have hit the economy of Saudi Arabia, the world's top oil producer.

Japanese lower house passes banking sector reform bills

TOKYO, Oct 2: Parliament's lower house late Friday passed a package of bills that would allow using taxpayer money to help clean up Japanese banks' massive bad loan problem, widely viewed as a crucial first step to economic recovery, reports AP.

The bills are seen as necessary to end the credit crunch devastating businesses, especially small and medium-size companies. With unemployment at a record high, bankruptcies soaring and consumer spending lagging, Japan has been unable to climb out of its worst recession in 50 years.

The bills, approved after weeks of bickering between the ruling party and the opposition, now go to the upper house, where they are likely to pass next week and become law.

This would be a major victory for Prime Minister Keizo Obuchi, who has come under fire both at home and abroad for not taking quick enough

action to fix the economy and the bad loan mess, estimated to be as big as \$1 trillion.

"We must first solve the worries about the financial system, which is the artery of our economy," said ruling party lawmaker Kazumi Mochinaga.

While legislators were fighting over the bills last weekend, Japan Leasing Corp. filed for bankruptcy — Japan's biggest bankruptcy since World War II. Its parent company was the ailing Long Term Credit Bank of Japan, whose bailout was the key sticking point in the political wrangling.

The ruling Liberal Democratic Party has been anxious to save Long Term Credit Bank, one of the nation's biggest banks, as well as other banks. But the opposition has opposed the plan, instead pushing for a solution that would force bank managements to be more accountable.

Under the new law, the government would set up an organ-

European stocks slump

LONDON, Oct 2: European stock markets slumped yesterday dragged down by the banking sector following a warning from the IMF that the embattled world economy might fall into recession next year, reports AP.

The sharp downturn on world markets came despite a cut in US interest rates that policymakers hoped would revive beleaguered equities.

An analyst at Paribas trading house, Nick Parsons, said, rather than rally on the delivery of a Fed rate cut, global stock markets rightly focussed on the fundamental economic conditions which actually led to the cut.

He added: "Thirty per cent of the world's economy is in recession, global unemployment is at an all-time high, economic growth in the G7 area is slowing rapidly, corporate profit margins are coming under pressure and output plans for next year are being drastically revised downwards."

Markets were rattled by an unusually bleak IMF report, which said that "a multitude of interrelated risks... make the current economic situation unusually fragile," and that "the risks of a deeper, wider and more prolonged downturn have escalated."

In addition to concern over global economic growth, in-

vestors feared that more hedge funds would collapse given the gloomy international trading environment, after the near failure of long-term capital management earlier this week.

They also feared that the deepening global financial crisis would undermine US corporate earnings for the third quarter of 1998 and beyond.

In London, the FT-SE 100 index of leading shares slumped by 3.08 per cent, or 156.2 points, to 4,908.2 points, its lowest level since early December 1997.

In Paris, the CAC 40 index fell by five per cent to 3,038.01 points, in just two sessions, the Paris market has lost nine per cent of its value.

In Frankfurt, the DAX-Xetra index slumped by 7.54 per cent to 4,096.69 points.

The Madrid market closed 7.08 per cent lower at 7,133.3 points and the Amsterdam market closed 4.1 per cent lower at 895.97 points. Milan closed 4.71 per cent down and Brussels closed 4.4 per cent lower.

Analysts said that the London market was beginning to show the traits of a bear market.

One powerful trader on the London market said: "If a rate cut in the US can't support the market at the end of a quarter, then this market is going nowhere in the short-term."

One-third of earth's natural wealth lost in 25 years

GLAND, Switzerland, Oct 2: The planet lost almost a third of its natural resources and animals between 1970 and 1995, the World Wide Fund for Nature said in a study released Thursday, reports AP.

Worst hit were freshwater environments such as rivers and lakes with species declining at a rate of some 6 per cent annually between 1990 and 1995, according to the 36-page Living Planet Report.

"These figures are a stark indication of the deteriorating health of natural ecosystems," said Jonathan Loh, one of the report's authors.

Most concerning of all is the decline of freshwater lakes, rivers and wetlands which, the study said, may contain as little as half the number of creatures in 1995 they possessed in 1970.

The populations of more than half of 227 species of freshwater birds, fish and mammals tracked had shrunk. Less than 10 per cent had increased in number.

The report estimated human pressure on natural resources is growing at a rate of around 5 per cent per year. The figure is based on consumption of grain, sea fish, wood, fresh water and cement, and emissions of carbon dioxide.



Masao Nishimura, president of the Industrial Bank of Japan (IBJ), left, and Tomijiro Morita, president of Dai-ichi Mutual Life Insurance Co. shake hands after announcing their wide-ranging business tie-up during a press conference in Tokyo Friday. The move is the latest in a series of business alliance among major Japanese financial institutions to strengthen their competitive edge in order to survive Japan's "Big Bang" financial deregulation.

Filipino export growth slows to 18 pc

MANILA, Oct 2: Philippine export growth slowed moderately in August to 18 per cent compared to a year earlier, with exports for the month totaling 2.65 billion dollars, the government announced Friday, reports AP.

For the first eight months of the year, exports rose 19 per cent from the same period last year to 19,059 billion dollars, the National Statistics Office said.

Exports in July had risen 21 per cent from a year earlier.

The slowdown in export growth did not surprise economists.

It would have been too good to be true to expect the country to continue posting an average 20 per cent monthly growth in exports given the current situation in the global economy," said Ces Tanchanco, economist at Bank of the Philippine Islands.

In the past year, the Asian currency crisis has spread to other regions, hurting global economic growth prospects, including those in Japan and the United States, the main export markets of the Philippines.

"Apparently, the crisis is becoming more global, so our major export markets are also affected and slowing down on demand for our products," said Joy Cuyekeng, economist for ING Barings Securities Philippines Inc.

Cuyekeng said he expects Philippine export growth to continue slowing down toward the end of 1998, with average growth for the year ranging between 13.5 per cent and 15 per cent compared to last year's 23 per cent.

Electronics remained the Philippines' top dollar earner for August, accounting for 51 per cent, or 1.36 billion dollar, of total receipts, 37 per cent more than a year earlier.

Global financial crisis drags down world economies

NEW YORK, Oct 2: Not since the early 1980s have so many countries been in recession, says AP.

As the global financial crisis has spread, the economies of more and more countries have been dragged down, with a few possibly skidding into a damaging depression.

The turbulence that began more than a year ago in the currency and stock markets of Southeast Asian nations has since spread to Russia and is now threatening Latin America. Only North America and Western Europe have so far been spared.

"About 40 per cent of the world economy is either in or heading into recession," said Nariman Behravesh, chief international economist at Standard and Poor's DRI in Lexington, Mass.

The causes of the crises are as varied as the countries themselves. But some of the common problems are heavily indebted banking system, overvalued currencies, lofty government spending and excessive reliance on foreign loans.

"Crony capitalism," the close ties between government officials, bankers and favoured companies, also is blamed for the economic woes in Asia.

Some countries, heavily dependent on commodity exports, have been battered by sharp declines in the prices of such raw goods as crude oil, copper and grains. Some have been caught up in the turmoil because of close trading ties with a country in distress. And still other have been shaken because of investor worries about putting money in any developing country, healthy or not.

Nissan names new sport utility Xterra

DETROIT, Oct 2: Nissan Motor Corp has picked the name 'Xterra' for the midsize sport utility vehicle it plans to begin building next year at its Tennessee assembly plant for the US market, reports AP.

The Japanese automaker said the Xterra will be priced below its slightly larger Pathfinder SUV and will be aimed at active young adults. It is expected to compete with the smaller Honda CR-V and Toyota RAV4 and probably will be priced in the low 20,000 dollar range.

Nissan released a sketch of the Xterra on Thursday. It is scheduled to debut at Detroit's North American International Auto Show in January. It will go on sale next summer as a 2000 model.

Nissan said the name (pronounced X-ter-ruh) is intended to suggest terrain and excitement.

The SUV features a unique "backpack" on the rear door and a heavy-duty, multipurpose roof rack for carrying sports equipment. It will be built on the Frontier pickup chassis.

"After talking with hundreds of young, outdoor enthusiasts about what they really want in a sport utility vehicle, we realised that there's a growing void in the market for an affordable, no-excuses sport ute," said Jerry Hirschberg, president of Nissan Design International Inc.

Hopes for post-poll recovery marred Political instability weighing heavy on Cambodian economy

PHNOM PENH, Oct 2: Hopes for a post-election recovery by Cambodia's struggling economy are being dashed by continuing political instability, according to a report released by an independent research institute on Friday, reports AP.

The wide-ranging survey of business and labour found a host of problems: commerce has slowed, prices of staples such as rice are rising, consumer confidence has continued to languish and businesses are cutting wages and staff.

The survey was conducted in August by the Cambodian Development Resource Institute

and published in its monthly bulletin.

After almost two decades of war and failed experiments with Marxism, Cambodia's shattered economy showed modest signs of recovering after United Nations-sponsored elections in 1993 produced a coalition government.

But those gains were lost after co-Prime Minister Hun Sen deposed his counterpart Prince Norodom Ranariddh in a bloody coup d'etat in 1997, the report said.

The political violence and instability paralyzed economic growth, foreign investment and aid.

On July 26, Cambodians voted in a national election that many hoped would end the bitter rivalry between Hun Sen and Ranariddh.

But the results only brought new strife.

Hun Sen's party won 64 of 122 seats in parliament, too few to form his own government but enough to bring allegations of election fraud by the opposition.

King Norodom Sihanouk brought Hun Sen and his opponents to the negotiating table last month, but talks on setting up a coalition government have proceeded slowly.

Meanwhile, the economy

has continued to deteriorate.

Market vendors told CDRI that sales are still 48 per cent lower than they were before the coup. Inflation for the year was estimated at 13 per cent, with food prices skyrocketing during and after the election, the report said.

The price of rice, the staple of the Cambodian diet, had risen 27 per cent compared to a year ago.

The lone exception was Cambodia's garment industry. The survey found that factories exported 147.5 million dollars of garments in the first half of 1998, a 63 per cent increase from a year ago.

While the report said other factors have contributed to the economic downturn, including drought and the regional economic crisis, it placed most of the blame on political unrest.

"Having predicted in earlier surveys that things would improve after the election, vendors were unexpectedly somber in their assessment of future

prospects," CDRI stated.

The report said that an improvement of the political situation would likely inspire investor confidence, boost tourism and allow for an inflow of foreign assistance that was drastically slashed after Ranariddh's ouster.

Cambodian economist Bith Seanglim disagreed with the report's analysis, arguing that the Southeast Asian economic slowdown that began last year and the recent overall drop in global markets were larger factors in the economic slowdown.

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