'US Congress now has little choice but to replenish IMF reserves'

WASHINGTON, Oct 17: With financial markets around the globe in turmoil, US house of representatives Speaker Newt Gingrich said on Friday the Republican-led Congress now had little choice but to replenish International Monetary Fund reserves.

"I am not sure this is a very good time to take a big gigantic gamble with the world economy," the Georgia Republican told lawmakers on the House floor, explaining why Republicans had reversed course on the issue.

Gingrich and other House Republican leaders had for months attacked IMF economic policies in Asia and the Fund's 23 billion dollars bailout for Russia. They said US funding would be squanderred by the IMF and disparaged IMF Managing Director Michel Camdessus as a "French socialist."

Nevertheless, congressional leaders agreed this week to hand over 18 billion dollars to the Washington-based lending agency to refill coffers depleted by multibillion-dollar bailouts for Indonesia, South Korea and Thailand.

House and Senate Republican leaders agreed to include the IMF funding in a catchall government spending bill, which both houses are expected to approve early next week. President Bill Clinton must then sign the bill into law.

In exchange for the 18 billion dollars, the Clinton administration has promised to work with other nations to push through changes in the way the IMF does business.

Under the agreement, the IMF would be forced to charge some crisis-hit countries more for loans, to demand quick repayment on some loans and to give the public and Congress more information about its policy decisions.

The agreement was a major victory for the White House, which has been desperate to shore up confidence in the IMF at a time when world markets have been rocked by the worst financial crisis in decades. The storm has battered Asia and Russia and has spread to Brazil and her Latin American nations.

China orders closure of investment firm

BEIJING, Oct 17: China's central bank has ordered the closure of debt-swamped Guangdong International Trust and Investment Corp, an investment arm of southern Guangdong province, bank officials said Wednesday, reports AP.

The People's Bank of China has taken steps to entrust the debt and assets of the firm, known as Gitic, to other financial institutions, said a bank official speaking on condition of anonymity.

The closure appears to be part of an industry-wide crackdown by financial regulators on China's trust and investment companies, which are known for running up high debts on the interbank market, where borrowers take loans from a second party to pay existing debt.

Recent credit reviews indicated the firm would not be able to repay its mounting debts.

"The company can't pay for its maturing debts," an executive in Gitic's general manager's office told Dow Jones Newswires. While he declined to specify the amount of debt, the Gitic executive, who also spoke on condition of anonymity, said the central bank would "protect the legal rights of debt holders."

In a related move, Moody's Investors Service said it placed the ratings of Gitic on review for possible downgrade following reports of the company's closure.

The ratings agency said the review reflected "the critical financial weaknesses of Gitic, including its deeply impaired asset quality."

The Guangdong-based company also had a unit listed on the Hong Kong stock exchange, Gitic Enterprises Ltd. A diversified conglomerate, it reported an 89 per cent drop in net profits in the first half of the year.

According to BasiSfield, a Hong Kong-based debt market database, Gitic has outstanding foreign currency debt totaling about US $1.38 billion, including project finance facilities and debt guarantees provided to affiliated companies.

That total includes a US $200 million 20-year rule 144a bond issued by Gitic in 1996 and US $150 million 10-year bond issued by the company in 1993.

Zhu Min, an economic adviser to the Bank of China's president, said the closure of Gitic was a preemptive step taken to ensure the Chinese financial sector avoids the pitfalls Asian neighbours have stumbled into.

"I think it's a healthy development and a good thing to maintain stability," Zhu said.

China has so far managed to block the regional turmoil from undoing its own financial system — largely by preventing outflows of capital through the limited convertibility of its currency.

However, many of China's banks and corporations suffer from the same plight of its neighbours: high levels of nonperforming loans coupled with speculative investments.

Analysts say Gitic was highly exposed to a slumping Hong Kong property market. While most of China's trust and investment companies don't have similarly heavy overseas investments, many are in the same weak state, they say.

No end to Japan's economic slump in sight

LONDON, Oct 17: There is still no light at the end of the turn of Japan's economic slump, meaning the Asian economies and the rest of the world face further gloom, Fitch Ibca Credit Rating Agency said, reports AFP.

"We don't see yet any sign of a bottom in Japan and that, of course, is a cause for substantial concern," said Group Managing Director Christopher Huhne during a phone conference to give the agency's overview of the world economy.

"The Japanese economy remains much weaker than expected and that is having a knock on-effect obviously on Japan itself but also the rest of the region"

Huhne said that the contagion was hitting the Untied States and that this in turn threatened economic outlook for western Europe, where the EU is to launch its euro single currency in January.

The situation is being worsened by a "lack of global leadership" cause both by US President Bill Clinton's embroilment in impeachment proceedings and the European countries' failure to unite on foreign policy, he said.

The effects of the global crisis are being softened in Europe at present by the round of cuts in short-term interest rates ahead of the euro launch, but domestic demand in EU countries is mixed.

"Europe is in early stages of what ought to be an upturn, but if the US goes into outright recession next year, an awful lot is going to be riding on the European locomotive to keep developed-country growth going," Huhne said.

He warned that Italy and Belgium have particularly high levels of short-term debt and that this made them, and the new EU financial institutions vulnerable should there be "a financial crisis of some sort."

Fitch's senior Asia economist Paul Rawkins said that "probably four fifths of Asia is now very firmly in recession."

"In 1999, output could clearly decline in many countries and growth in countries like China could slow considerably."

However, Rawkins said that Asian countries should stick to much criticised IMF programmes, even if they were "wrenching."

"In countries like Thailand and Korea, where IMF proposals have been followed through, those countries are now beginning to see the benefits. ... Foreign investment is now flowing into Thailand and Korea. We have committed 10 billion dollar in the first half of this year."

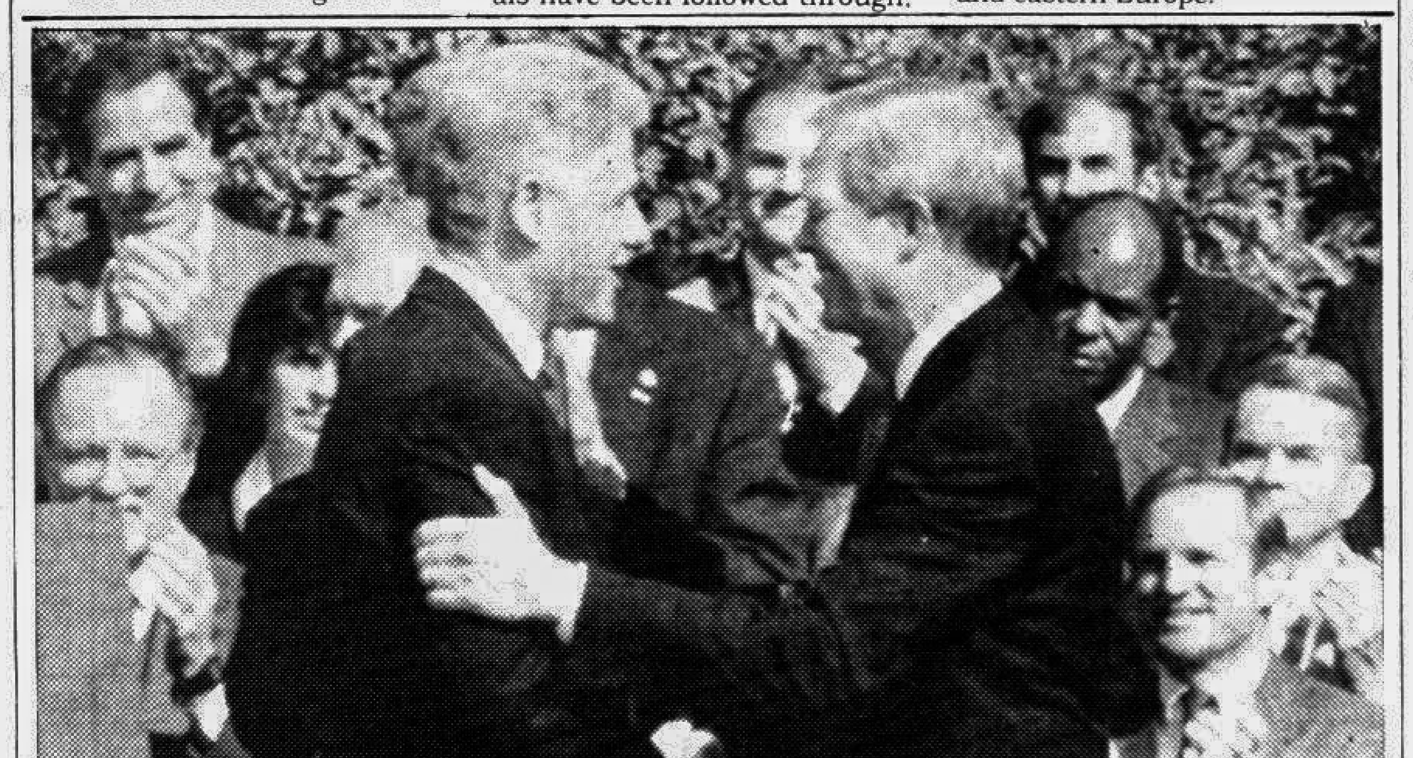
Fitch's Latin American economist Richard Fox said that Venezuela and Chile were suffering from falling commodity market prices, but that Brazil was viewed as the weakest credit prospect in the region.

Russia faces a huge debt problem, with 20 billion dollars worth of debt service payments in the next 15 months, when gross current foreign exchange reserves are only 13 billion dollars.

"That clearly doesn't really add up," said eastern Europe economist David Riley. "The Russian economy is going through a very severe contraction."

He said that it was not a foregone conclusion that Russia will default on its foreign debt, but the "big question mark over this is whether they actually have the political will" at a time of huge domestic needs for scarce funds.

However, Fitch is downgrading growth forecasts more or less across the board in central and eastern Europe.



President Clinton welcomes House Minority Leader Richard Gephardt to the podium during a ceremony in the White House Rose Garden to celebrate what the President called a "fiscally responsible balanced budget" in Washington, Friday. Congress will vote on the budget Tuesday. — AP/UNB photo

Chinese economy shows slight improvement

BEIJING, Oct 17: Massive government spending is paying off, slightly boosting China's economic growth to 7.6 per cent in the third quarter, official statistics released Friday said, reports AP.

The boost increased China's gross domestic product during the first nine months of the year by 7.2 per cent, a shade better than the 7 per cent pace set in the first half.

The State Statistical Bureau said the economy produced 5.44 trillion yuan (658.6 billion dollars) worth of goods and services during the first nine months of the year.

As the government turned on the taps, fixed-asset investment surged 38.8 per cent in September. For the first three quarters, the figure jumped 20 per cent to 1.086 trillion yuan ($131.5 billion), the bureau said.

Bureau spokesman Ye Zhen forecast that fourth quarter economic growth would be higher, helping the government to reach its target of 8 per cent GDP growth for 1998.

"The growth target can be achieved," Ye said in a statement.

China's top leaders have put a premium on keeping the growth rate high as state enterprises and banks struggle through market-oriented reforms.

The restructuring of China's state sector is expected to result in millions of job losses and Beijing wants a strong economy to be able to absorb the unemployed.

Profits of state companies slumped 36 per cent in the first three quarters compared with a 43 per cent drop in the first half.

The domestic spending programme — expected to reach 1.2 trillion dollar over three years — is also aimed at cushioning the economy from declining export growth and sluggish foreign investment due to the Asia financial crisis.

For the first nine months, China's exports rose 3.9 per cent on year to 134.13 billion dollar.

Metal: Weekly position

Gold, aluminium, copper perk up on weak dollar

LONDON, Oct 17: Gold, aluminium and copper prices gained from renewed weakness of the dollar this week, as investors snapped up the dollar-denominated contracts, reports AFP.

The yellow metal regained its safe-haven status as fears grew that the burgeoning economic crisis around the world would hit growth in leading industrial countries.

Gold broke back above the 300-dollars per ounce mark after the surprise cut in US interest rates announced by the Federal Reserve on Thursday.

The metal was also helped by postponement of the Swiss referendum on whether or not to drastically scale back its official Bullion reserves.

GOLD: Rise. Gold price closed higher at the end of a week during which the commodity fell then rose in a negative image of the dollar, which lost ground after a surprise cut in US interest rates at the tail end of the week.

A cut in US interest rates on Thursday bolstered gold prices, as the yellow metal regained its safe haven status in the face of a flight from the dollar.

MacQuarie Bank precious metals analyst Kamal Naqvi said: "The rate cut has helped sentiment in the market, pushing gold prices through resistance at the 300 dollars an ounce level without too much difficulty, so a move towards last week's highs at the 304.60 dollars an ounce level now looks very achievable."

Prices were further supported by news that the Swiss Finance Ministry is to delay its referendum on reducing the central bank's gold reserve from 40 to 25 per cent of total reserves.

On the London Bullion Market, prices rose to 300.75 dollars per ounce from 299.25 dollars.

SILVER: Slip. Silver prices fell on speculative sales by investment funds as investors turned instead to gold.

Plentiful market reserves added to the fall in silver prices.

On the London Bullion Market, prices fell to 4.85 dollars per ounce from 5.22 dollars last week.

COPPER: Polished. Copper prices ended the week higher on the London Metals Exchange after receiving a lift at the end of the week from the surprise cut in US interest rates.

Three-month copper closed at 1,617.5 dollars a tonne, up 15 dollars.

Thursday's surprise cup in US interest rates boosted prices, although the metal was weighed down by 7,150-tonne rise to 432,175 tonnes in stocks held in LME warehouses.

Analysts noted that a fall in the value of the dollar against the yen would likely increase the buying-power, and thus demand from Asian investors.

LEAD: Heavy. Three-month lead fell 13.75 dollars to 499.5 dollars a tonne, despite tightness in the Asian market.

Supporting prices was a shortfall in production at Pasminco's capacity during expansion work, forcing the company to buy 10,000 tonnes of lead from Korea Zinc.

However, the longer term effect on prices is downward since the installation will have sharply higher capacity when it completes the works next years.

ZINC: Better. Zinc remained stuck below the 1,000 dollars level, hit by the arrival of large Chinese shipments this week in Singapore, but ended the week slightly higher than at the same time last week.

Three-month zinc closed at 955.75 dollars a tonne, up 4.25 dollars, after a fall of 5,050 tonnes in LME warehouse stocks to 352,525 tonnes.

In addition to the shipment, China increase its export tax rebate on zinc, lead and aluminium to 11 per cent from nine per cent to encourage exports.

ALUMINIUM: Rise. Three-month aluminium rose 9.5 dollars to 1,351.3 a tonne in trading that shadowed the rise and fall of the dollar.

The cut in US interest rates on Thursday and the subsequent slide in the dollar perked up the metal's price.

This followed losses early in the week as the dollar's recovery from last week's debacle hit the purchasing power of the Asian markets.

Aluminium was also affected by an increase of London Metal Exchange stocks by 9,600 tonnes to 522,950 tonnes.

In Russia, producer Sayansk said it was increasing aluminium production to 380,000 tonnes a year from 326,000 tonnes.

NICKEL: Cheap. Three-month nickel slumped 25 dollars to 3,847.5 dollars a tonne, hit early in the week by the strengthening of the dollar against the yen after last week's dramatic dollar slide.

Nickel is used in two-thirds of production of fortified stainless steel, making it vulnerable to the global economic slowdown.

TIN: Shiny. Three-month tin shot up 75 dollars to 5,422.5 dollars a tonne in trading dominated by technical factors.

NCC Bank makes Tk 13cr operational profit in '97

Star Business Report

National Credit and Commerce Bank Ltd has made an operational profit of Tk 13 crore during the year 1997.

This was stated by the Chairman of the bank, Mir Zahir Hossain, while presiding over its 13th Annual General Meeting held at city hotel on Wednesday, says a press release.

Mohd Sajidul Haq, Managing Director, addressed the shareholders while Yakub Ali, Vice-Chairman of the bank was also present.

The shareholders and directors of the bank attended the meeting.

The Chairman highlighted the performance the bank achieved during 1997 while presenting the annual report and financial statements for the year 1997. And has also been able to meet provision requirement against classified loans.

He said the bank's deposit stood at Tk 538.17 crore as on December 31, 1997. Its credit has grown by 19.19 per cent compared to the previous year. The bank has been successful in recovering Tk 7.74 crore of classified advances.

The ratio of deposit and advances in 1997, he added, was 1:0.84. The bank's foreign exchange business in 1997 has also increased by 5.47 per cent compared to the previous year.

The Managing Director assured the shareholders of increasing the standard of services of the bank to the expectation of the customers.

Zimbabwe dollar down 10.45 pc

HARARE, Oct 17: The Zimbabwe dollar slumped 10.45 per cent against the US currency on Friday as importers moved to take advantage of low rates after Thursday's strong appreciation, dealers said.

Dealers said the local dollar dropped sharply in the morning on strong importer demand and only stabilised in the afternoon after the reserve bank met bank officials and formally complained about the sharp movement of the exchange rate.

The local unit closed at 33.50/34.50 against the greenback from Thursday's close of 30/31, off morning highs of 34.35.

The unit also dropped against the pound to 56.85/58.60 compared to its overnight level of 51.10.52.8.

Mir Zahir Hossain, Chairman of National Credit and Commerce Bank Limited, speaks at the bank's 13th annual general meeting held at a local hotel on Wednesday. — NCC Bank photo

Global Year 2000 summit ends

More dialogue, action urged on Y2K bug

LONDON, Oct 17: The world's leading international organisation and trade associations Friday concluded a two-day Global Year 2000 summit by calling for more dialogue and action on the millennium bug on a global basis, reports Xinhua.

Despite the growing international awareness of the year 2000 challenge, the problem continues to be underestimated and the threat to world economies is very serious, said a statement issued by the conference.

Pointing to the interdependencies inherent in a global economy, the statement stressed that "national preparedness is not enough," and said a more sustained international dialogue and cooperation on the issue is needed.

Specifically, the statement called for focusing on international contingency planning, encouraging global leadership, raising global public awareness and promoting a cross-sectoral dialogue. Continued assistance for developing countries was also urged by the conference.

"While a few developing countries have aggressively addressed year 2000, most are just now waking up to the problem," the statement said.

The Global Year 2000 summit was the first time major multilateral governmental and business organisations met together to address the problem.

Participants included the Organisation of Economic Cooperation and Development (OECD), World Bank, International Chamber of Commerce and International Telecommunications Users Group.

The year 2000 problem, or so-called millennium bug, stems from early programmer's need to save computer memory when writing software. Without conversion, many existing systems will not recognise 00 as 2000 but as 1990 or invalid date.

According to a recent report from the OECD, year 2000 problem may arise not only in computer systems but also in communication networks and in chips integrated into industrial control systems, consumer electronic devices and safety systems worldwide.

Estimates of the overall global costs of repairing systems and devices in anticipation of the millennium bug run into hundreds of billions of US dollars, the report said.

A meeting of the Standing Committee on Foreign Investors and Joint Ventures was held on October 11 at a city hotel with the Minister for Commerce and Industries Tofail Ahmed in the chair. The meeting was also attended, among others, by the Commerce Secretary, BOI Chairman, EPB Vice Chairman, Executive Chairman of BEPZA and Managing Director of Lenny Fashions Ltd Ranjan Mahtani.

Russian premier launches debt settlement plan

MOSCOW, Oct 17: Prime Minister Yevgeny Primakov ordered the government and its agencies to start settling their huge outstanding bills, a problem that has parlayzed the Russian economy, says AP.

The Cabinet discussed these measures a week ago and was scheduled to finalize them Thursday. But Primakov abruptly canceled the Cabinet meeting, saying the proposals were already clear and needed to be implemented.

"We have had enough discussions, we now must act," spokesman Igor Shohegolev quoted him as saying.

The plan worked out by the economics and finance ministries would require the government and state-owned companies to clear their mutual debts of some 500 billion rubles (3.8 billion dollars) by mid-December.

The cash-strapped government has been a major debtor in the Russian economy, failing to pay wages and pensions to workers and other bills to state-run companies. The workers and companies then cannot pay their bills, leading to a chain of non-payments that is disabling Russian industries.

Officials admit that the unpaid bills among the government and the state-owned companies and organizations are small compared to those in the private sector. They estimate all debts in Russia total a staggering 1.2 trillion rubles (92 million dollars), or about 40 per cent of the country' gross domestic product.

Primakov has said the government bills must be settled without printing new money, a move that would lead to high inflation. However, he has not said where the money will come from and it is likely that many of the debts will be settled through barter or other noncash transactions.

In other economic news Thursday:

Russia's hard currency reserves rose from 12.8 billion dollars to 13.3 billion dollars in the week ending Oct 9, the Central Bank said. The bank has been actively buying dollars in recent weeks to strengthen its reserves depleted at the start of the crisis.

Inflation for the first 12 days of October was 0.8 per cent, after soaring last month following the ruble's sharp plunge. Average daily price increases decreased from 1.09 per cent in September to 0.66 per cent this month, the State Statistics Committee said.

IMF for addressing weaknesses rather than 'turning clock back'

By Suman Guha Mozumder

UNITED NATIONS, Oct 17: The answer to the current international economic crisis is not "to turn the clock back on opening markets," a senior International Monetary Fund (IMF) official told a U.N. panel.

"The appropriate response", according to J.B. Zulu, IMF Director at the United Nations, is to "address vulnerabilities more effectively."

Speaking at the Second Committee (Economic and Financial) which debated the world economic situation, Zulu said that the seriousness of the Asian and Russian crises and their contagion effect had underscored the vulnerability of the international financial system and the need for increased vigilance by member states and the IMF. "While the IMF had no quick fixes, it had been working on identifying key initiatives to minimise risks of further crisis and better manage them," he said.

Among those who addressed the committee were representatives of Malaysia, Singapore, Thailand and Nepal. Zulu said a key lesson was the need to address promptly any signs of weakness in national policies and institutions likely to provoke sharp revisions in foreign investor perceptions.

The IMF official said that the agency aimed to set up a global system that was stable, sound, open, transparent and fair. The starting point was the domestic policy environment, he said.

The search for effective solutions and the reforms and actions under consideration in the architecture of the new monetary and financial system were the easy part of the challenge and so was the designing of fiscal, monetary, and financial policy codes of conduct, he said.

— India Abroad News Service

Dhaka Stock Exchange

Losses outshine gains

The week's trading at the Dhaka Stock Exchange began yesterday with a slight fall in its price index as losers dominated the gainers, reports UNB.

The all share price index at the country's main bourse declined by 0.59 points or 0.09 per cent to close at 614.36 points from Thursday's 614.95.

Of the 166 listed issues traded, 60 gained, 96 incurred loss and 10 remained unchanged.

Some 8,482,001 shares and debentures valued at Tk 22.20 crore were traded as against 9,276,122 shares and debentures worth Tk 23.03 crore of the previous trading day.

Rupon Oil (1,548,300), Eagle Star (1,500,850) and Saleh Carpet (1,444,000) were among the volume leaders.

Market capitalisation stood at Tk 55.83 billion.

Ctg Stock Exchange

Index slides slightly

CHITTAGONG, Oct 17: Week's trading at Chittagong Stock Exchange began today with a slight fall in its benchmark as the losers outnumbered the gainers, reports UNB.

The all ordinaries price index at the country's second bourse fell 0.89 points or 0.34 per cent to close at 260.08 points from Thursday's 260.97 points.

Of the 69 listed securities traded on the day, 20 gained, 45 declined and four remained unchanged.

Some 3,845,735 shares and debentures worth Tk 8.50 crore changed hands as against 1,655,926 shares valued at Tk 3.19 crore on the previous trading day.

Eagle Star (1,550,950), Chic Textile (988,000) and Quasem Drycells (446,400) were the major volume leaders.

Top gainers included BD General Insurance (+Tk 20.00) and National Oxygen (+Tk 15.00).

Beximco Knitting (-Tk 16.50), Beximco Synthetics (-Tk 11.00) and Monno Ceramic (-Tk 10.00) were among the losers.

Market capitalisation stood at Tk 46.06 billion equivalent to US dollar 980.06 million.

Foreign investors urged to help govt formulate pragmatic policy

The meeting of the Standing Committee on Foreign Investors and Joint Ventures was held at a city hotel recently with the Minister of Commerce and Industries, Tofail Ahmed, as chief guest.

The Commerce Secretary, Chairman-BOI, Vice Chairman of EPB and ex-chairman of BEPZA were present.

BGMEA President Golam Quddus presided over the meeting while Ranjan Mahtani, Managing Director of Lenny Fashions Ltd and Chairman of the Standing Committee read out the welcome address.

A good number of foreign investors from all over the country attended the meeting.

Addressing the meeting, the chief guest appreciate the formation of the committee.

He urged the foreign investors to assist the government in formulating a pragmatic foreign investment policy to attract more foreign investment.

The minister assured them all-out support and cooperation of the government.

The Chairman of the Standing Committee Ranjan Mahtani in his welcome address, lauded the support and co-operation of the government and BGMEA.

He said that the committee would co-operate with BGMEA and the government for attracting foreign investment particularly in the linkage sectors.

Golam Quddus, President of BGMEA, spoke about the background of the formation of the committee. According to him, the committee was formed to have close interaction between BGMEA and the foreign investors besides other government agencies.

Syed Alamghir Faruk Chawdhury, Secretary of Commerce, and Farooq Sobhan, Executive Chairman, Board of Investment, stressed the need for setting up of linkage industries for the progress of the garment industries.

Vice Chairman of EPB, Executive Chairman of BEPZA and Vice President of BGMEA also spoke on the occasion.

111 job cuts planned

BankBoston to quit four Asian states

BOSTON, Oct 17: BankBoston Corp. says it will close its offices in India, Japan, the Philippines and Taiwan and eliminate 111 jobs, 99 of them in those offices, reports AP.

The bank also said Wednesday it will keep its Asian headquarters in Singapore and branches in Hong Kong, South Korea, China and Indonesia.

Of the jobs being cut, 10 are in Boston, mostly in the bank's emerging markets group, and two are in London.

"We are not expecting any additional layoffs," said Geraldo Carbone, co-chief of the bank's global banking unit.

Last July, the bank announced it would eliminate 114 positions, mostly in domestic retail branches to cut costs and increase profits. It said then that more layoffs were expected.