The Daily Star BUSINESS

HK employers warned against hiring illegal workers

HONG KONG, Dec 25: Hong Kong authorities today warned employers against hiring illegal workers from either the mainland or overseas as 17 workers from southern China were arrested, says AFP.

The 17 illegal workers were rounded up today in a joint operation between immigration and police officers. Their employers were also held in the raid at a vegetable wholesale market in the district of Kowloon.

Sunny Ho, spokesman for the immigration department, told AFP that such operations would continue as "there is an upsurge in the number of illegal workers."

Ho reminded employers of the three-year imprisonment they faced if found guilty of hiring illegal overseas or mainland workers, as well as the 350,000 Hong Kong dollar (45,220 US) fine imposed.

Most of the illegal workers were from mainland China, who came in as visitors.

For the past 11 months, a total of 5,400 people including 3,614 from China, were held, a sharp increase from last year's 3,992 including 2,087 from the mainland.

The warning was made as unemployment has risen to a record 5.5 per cent and Hong Kong's economy shrank 7.0 per cent in the third quarter — the biggest quarterly contraction for the territory.

Janata Bank earns Tk 110cr profit in '97

Star Business Report

Janata Bank earned a profit of Tk 110 crore in the year 1997.

The balance sheet of the bank for the year was approved at the bank's Board meeting held in the city on Wednesday, said a press release.

During the year 1997, deposits increased by Tk 1132.75 crore, advance by Tk 419.15 crore and investment by Tk 305.04 crore over the previous year.

The meeting, presided over by the bank chairman, Muhammed Ali, was attended by senior executives of the bank.

'HK to create good business climate'

HONG KONG, Dec 25: Hong Kong chief executive Tung Chee Hwas on Wednesday pledged to create a business-friendly environment after comments by a local tycoon that politics are hitting the territory's investment prospects, says AFP.

The remarks by billionaire Li Ka-Shing, Chairman of Blue Chip Cheung Kong (Holdings) Ltd, pushed the stock market down 1.6 per cent on Wednesday.

A good environment which is conducive to business and investment is very important to Hong Kong, Tung told reporters.

"That is the way to ensure the recovery of our economy and to create more jobs for our people," he said.

"A harmonious community is fundamental to the creation of good, attractive business environment, and I know that from that point of view we will all work very hard to create this good environment," he said.

Li, who has close links with the Chinese leadership, on Tuesday said he had abandoned a 10 billion Hong Kong dollars (1.3 billion US) deal with a foreign corporation because he was concerned about the political climate.

He also said he would not be investing heavily to help lift Hong Kong out of severe recession, as he had in the past, because of his political concerns.

The key Hang Seng Index responded by falling 163.81 points to close at 10,158.75 on turnover of 2.229 billion Hong Kong dollars (288 million US).

Joblessness up in Japan

TOKYO, Dec 25: In a sign of changing economic times, Japan's jobless rate rose to the same level as that of the United States for the first time ever in November, the government said today, reports Reuter.

The dismal unemployment figures are likely to overshadow growing, if cautious, optimism among some Japanese policymakers who have said recently that the nation is beginning to emerge from its worst postwar recession.

The government's management and coordination agency said the jobless rate rose to 4.4 per cent in November, the highest since the government began collecting the date by the present method in 1953 it was 4.3 per cent in October.

The agency said Japan's jobless rate had until now always been below the US rate which fell to 4.4 per cent in November from 4.6 per cent the previous month as the economy continued to create new jobs.

While the US unemployment rate has been on a steady declining trend, Japan's jobless rate has been increasing since the start of this year, hurting the nation's consumption and adding to Japanese workers job insecurity.

Government data showed the number of jobless at 2.91 million in November up 28 per cent from a year earlier, while the number in work fell for the 10th consecutive month to 64.81 million.

India's fiscal deficit set to exceed target

NEW DELHI, Dec 25: Indian Finance Minister Yashwant Sinha admitted yesterday that the fiscal deficit was set to exceed its target this year, but dismissed predictions that it could touch seven per cent of gross domestic product (GDP), reports AFP.

Addressing a regional trade and industry group, Sinha said the government target of limiting the fiscal deficit to 5.6 per cent of GDP for the year ending April 1, 1999 was unlikely to be met.

The fiscal deficit is under pressure because of a shortfall in indirect tax receipts because industry has not grown.

"It is easy to say 'cut subsidies' and 'reduce unplanned expenditure' but it is not all that easy to implement the same," he said.

At the same time he chided some employer's organisations which have suggested the deficit could end up as high as seven per cent.

"I do not know where I will peg it, but it will not be seven per cent," Sinha said, adding that he was holding weekly meetings with officials to keep a check on government expenditure.

Earlier this month in New Delhi, World Economic Forum Managing Director Claude Smaja infuriated Sinha by warning that India faced an economic crisis due to its yawning fiscal deficit.

Smaja had said there were strong indications of the deficit slipping to six per cent or even seven per cent of GDP, thus negating India's sweeping market reforms of 1991.

Sinha's response was unequivocal.

"The best contribution friends can make is by keeping their counsel to themselves', he said.

India's fiscal deficit stood at 6.1 per cent in fiscal 1997-98.

In his address Thursday, Sinha also underlined the Hindu nationalist government's commitment to further economic liberalisation, but warned that some politicians were intent on blocking progress.

"We will have some sentinels of the Jurassic Era who are unable to change and therefore are putting obstacles on the path of development," he said.

The 601st meeting the Janata Bank Board. — JB photo

EC wants to reopen talks with India on capital flow

BRUSSELS, Dec 25: The European Commission (E.C.) is all set to launch yet another exercise aimed at forcing India to fall in line over the controversial "social clauses" and allow freer global capital flows at the next round of talks of the World Trade Organisation (WTO).

This round has become contentious as parts of it deal with freeing global capital flows and protecting foreign direct investments. It will also focus on standardising conditions of workers around the world and enforcing uniform environmental norms for companies.

India has so far resisted attempts by the developed world to launch negotiations on these issues. Indian officials say the nation is concerned about the labour and environmental conditions the developed world may want to stipulate, but its biggest objection is to the total deregulation of global capital flows.

This last has become even more controversial following the Southeast Asian crisis, which has been largely attributed to the flight of short-term capital from these economies.

For the past two years, the developed economies, especially the United States and members of the European Union (E.U.), have been pursuing the Multilateral Agreement on Investments (MAI), which is aimed at deregulating capital flows, at least between the developed economies.

These negotiations have so far been held under the aegis of the Organisation of Economic Cooperation and Developed (OECD), which has 29 industrialised countries as its members.

Even this initiative, however, suffered when France staged a walkout in November saying it was concerned about the stipulation that even individual companies could drag governments to the MAI dispute settlement panels. It was also opposed to the imposition of a number of restrictions on the way governments could regulate investments -- both portfolio and direct -- in their countries.

After the French walk-out, the OECD was left with little option but to suspend the negotiations. Now the developed world wants the negotiations to begin at a global level under the auspices of the WTO. Even during the MAI negotiations, parallel attempts had been made by these nations to convince countries like India to start talking, but with little success.

A fresh attempt was made at persuading India to fall in line by the E.U. during the visit of its delegation to New Delhi in October. The delegation said that such an agreement would be immensely beneficial to developing countries as it would make potential investors confident about the fate of their investments.

"It is not just in our favour. It will help the whole world, and especially developing countries like India which need lots of capital. And if India chooses to stay out, how will investors put their money without being sure of the security of their investments, which is the main aim of concluding such negotiations?" Herve Jouanjean, E.C. deputy director general, told IANS here.

The developed countries have also changed their stance on some issues following the Asian debacle and admit that their task has been made more difficult by the crisis. "

Yes, we understand that the atmosphere regarding regulation of capital has undergone a drastic change in 1998," Karl Freidrich Falkenberg, who heads the WTO unit at the E.C., said. "But we have had some talks with the Asian countries and they, too, understand that if they have to attract international capital again, and soon, they need to ensure that the investors are confident about the security of their investments. And hence even the worst affected countries are open to such talks," he claimed.

The E.C. is, however, also being pragmatic in its new approach. The developed world has dropped portfolio investments from the agenda, agreeing that they need to be regulated like other short-term capital inflows.

These countries have also dropped their insistence on a clause that would have allowed investing companies to take the host governments to the WTO dispute settlement panel for any perceived change in their operating conditions.

"As long as the foreign investing companies receive the same treatment as domestic companies, there is no reason to have such a clause. And if any company has complaints, it should ask its parent government to take up the matter with the host government," said Jouanjean.

These changes may have sweetened the pill a little, but it is unlikely that India will bite the bait so soon. — *India Abroad News Service.*

WFP appeals for food to help flood victims in China

BEIJING, Dec 25: The World Food Programme urgently appealed Thursday for 195,000 tons of wheat to help 5.8 million victims of devastating summer floods in China make it through the winter, says AP.

The WFP said the wheat, worth about US $60 million, was needed to feed the flood victims until they can plant crops in March. Without it, the UN agency warned its four-month emergency operation will have to close down six weeks early.

"We are running out of food in the last weeks of what was so far a remarkably successful operation," said Else Larsen, the WFP's country director for China. "After doing so well to rebuild their lives with great energy and organisation, the last thing these people need is a six-week gap just before the start of planting."

At least 3,656 people were killed in the unusually severe floods that ravaged much of central, southern and northeastern China this summer.

The WFP's emergency operation, its first in China, was due to end Feb. 28 but food supplies will run out by Jan. 15 without more donations, the WFP said.

In November, the first month of the operation, the WFP provided free food to 5.8 million flood victims in the southern and central provinces of Hunan, Hubei, Anhui and Jiangxi, among the hardest hit areas.

As the floods receded, aid recipients were put to work building shelters, repairing wells, renovating roads and clearing land and irrigations channels.

The 195,000 tons of wheat will be swapped for 140,000 tons of rice that the Chinese government has agreed to release immediately to flood victims once pledges of donation are received. When the wheat actually arrives, it will be given to the government to compensate for the rice.

Japanese stocks close higher on banking sector rally

TOKYO, Dec 25: A rally in the banking sector pushed up Japanese stock prices Friday during an otherwise quiet session of holiday-thinned trading. The dollar finished marginally higher against the yen, reports AP.

The 225-issue benchmark Nikkei Stock Average rose 91.22 points, or 0.67 per cent, to close the week's trading at 13,797.95. On Thursday, the average finished down 72.72 points, or 0.53 per cent.

The dollar bought 116.16 yen in late afternoon trading, up 0.06 yen from late Thursday in Tokyo but below its late New York level of 116.29 yen overnight.

On the Tokyo Stock Exchange, bank shares rebounded from a recent slump after rising bond prices eased investor concerns over turmoil in the credit market. Bond prices tumbled last week following a government decision to issue new bonds to cover massive fiscal spending.

"Bank shares, after facing massive selling pressure during recent sessions, rebounded as fears on the bond market subsided," said Sachio Ishikawa, general manager of the stock division at Chuo Securities Co.

But trading was conducted mostly by dealers closing out positions as Friday was the last day to trade stocks for delivery during 1998, traders said. Activity also remained sparse because of the Christmas holiday in many foreign countries, they said.

"There is no reason to trade shares," said Masaaki Higashida, a deputy general manager at Nomura Securities Co.

The broader Tokyo Stock Price Index of all issues listed on the first section of the Tokyo Stock Exchange rose 8.78 points or 0.82 per cent, to 1,086.28. The TOPIX closed down 8.28 points, or 0.76 per cent, the day before.

An estimated 227.20 million shares changed hands on the first section, down from 320.80 million shares Thursday. Advances outnumbered declines 820 to 302, while 184 issues were unchanged.

On the Tokyo foreign exchange market, the dollar traded in a narrow range as many foreign players were absent for Christmas. It fell as low as 115.73 yen and rose as high as 116.34 yen.

Traders shrugged off a slew of negative economic data released earlier in the day, including the announcement of a new record-high jobless rate. They said the unemployment gain came as no surprise with the economy mired in the worst recession since World War II.

Japan's unemployment rate hit 4.4 per cent in November, the highest level since the current system of calculation was introduced in the 1950s, the Management and Coordination Agency announced.

Separately, the Japanese trade ministry said industrial output fell 2.0 per cent in November compared to the previous month, while large store retail sales last month fell 1.5 per cent on the year.

"We all know very well that the Japanese economy is still in a severe slump without having to see those numbers. And traders aren't really in a mood for serious trading because of the holiday season," said Yukihiko Hashimoto of Sanwa Bank Ltd.

The yield on the benchmark No. 203 10-year Japanese government bond fell to 1.750 per cent from Thursday's finish of 1.885 per cent, pushing its price up to 100.40 yen from 99.31 yen.

19 Japanese banks hold $491.38b in bad loans

TOKYO, Dec 25: Japan's 19 largest banks have problem loans 15 per cent larger than the banks themselves had reported, inspections by the Financial Supervisory Agency show, newspapers said Friday, reports AP.

At the end of March, the banks held 57 trillion yen ($ 491.38 billion) in bad loans, the Nihon Keizai newspaper, Japan's top business daily, quoted the agency survey as showing.

An agency spokesman refused to comment on the media reports, saying that a senior agency official was to hold a briefing on the inspections later Friday.

Based on their own assessments, the banks had reported a total of 50.2 trillion yen ($432.76 billion) in bad debts.

The agency's survey, however, classified about 7 trillion yen ($ 60.34 billion) in loans to the banks' related firms as unrecoverable or high-risk, the Nihon Keizai said. The agency conducted inspections of the 19 banks from July through November.

A mountain of problem loans left from the collapse of real estate prices early this decade has threatened the health of Japan's financial system.

Earlier this year Japan's Parliament approved laws aimed at revitalising the financial system and lifting the country out of its worst recession in half a century.

Economists remain skeptical

Taiwan unveils stimulus package for ailing cos

TAIPEI, Dec 25: Taiwan has unveiled another stimulus package to help companies facing financial troubles, but economists warned Friday that the short-term measures may not bring about an economic recovery, reports AP.

On Thursday, the government announced a plan to provide up to 120 billion Taiwan dollars (US $3.8 billion) in state-backed loans to companies having temporary cash-flow problems.

It followed the setup of an intervention fund of 283 billion Taiwan dollars (US $8.7 billion) in November to prop up share prices, which had plunged in the aftermath of a string of corporate failures — due in part to tighter bank credit policies.

"The government is losing its credibility because... it seems to be more concerned with short-term relief for the stock market than longer-term support for the economy," economist Kuo Wen-jeng told Dow Jones Newswires.

Several bankers said the latest measures fail to address problems with credit-worthiness afflicting Taiwan's banking system.

"The measures are aimed at increasing fund availability, but the problem is not liquidity because there is plenty of liquidity in the banking system," said Calvin Tseng, a vice president at state-run First Commercial Bank.

"The reason our loan portfolio is not growing very fast is because of the increased risk in the market and concerns that the loans will be used for speculation on the stock market," Tseng said.

Justin Leverenz, the head of research at Credit Suisse First Boston based in Taipei, urged the Central Bank to cut interest rates to avoid the danger of property prices collapsing.

Some 40 per cent of bank loans are collateralised with real estate, so if property prices fell there would be far more problems for the economy, Leverenz said. CSFB has lowered its growth forecast for Taiwan to between 3.5 per cent and 4 per cent from the previous forecast of 4.1 per cent.

Central Bank Governor Perng Fai-nan said on Thursday the bank will maintain its current loose monetary policy into 1999, and urged commercial banks to extend credit to financially healthy companies.

The bank also said economic growth is expected to reach 5.1 per cent next year, compared with 5.07 per cent projected for this year.

Bribery scandal

Former Japanese official avoids jail term

TOKYO, Dec 25: A former official at a state-run company avoided a jail term Thursday after being found guilty of taking bribes, part of a string of scandals tainting Japan's bureaucracy and several top banks and brokerages.

Takehiko Isaka, 55, a director of the Japan Public Highway Corp., was sentenced to two-and-a-half years in prison, suspended for three years, and fined 6.8 million yen ($59,000).

The suspension means he will not serve time in jail if he stays out of trouble for three years.

Isaka accepted some 7.2 million yen ($60,000) in bribes in the form of winning and dining by companies such as Nomura Securities Co. and Fuji Bank in exchange for helping them win business from the corporation, according to a Tokyo District Court ruling.

Prosecutors had sought a prison term of three years and asked that he be made to pay a fine of 6.84 million yen ($59,000).

Isaka was treated to lavish dinners or expensive golf outings 113 times between July 1994 and April 1997.

In addition to Nomura and Fuji, he was also entertained by officials from The Industrial Bank of Japan, the Long-Term Credit Bank of Japan, Sakura Bank, Daiwa Securities Co. and Nikko Securities Co.

In exchange for the bribes, Isaka helped the companies win contracts to underwrite bond sales for the highway corporation, the court said. The highway corporation operates a network of expressways across Japan, which it funds through bond sales.

Isaka, who is also a former Finance Ministry official, admitted he was frequently entertained by the companies but denied doing them any favors. His lawyers asked for a suspended sentence, arguing that such entertaining is common practice.

Presiding Judge Kohei Ikeda said the outings were so frequent and lavish that they went beyond the bounds of conventional practice.

Six people, including Finance Ministry and Bank of Japan officials, have been found guilty in the past year of bribery for accepting lavish entertainment from banks and brokerages.

Euro zone's budget deficit for 2000 insufficient: ECB

THE HAGUE, Dec 25: Projected budget deficits in the euro zone for 2000 are insufficient, European Central Bank (ECB) President Wim Duisenberg said in an interview published yesterday by the Dutch newspaper De Telegraaf, reports AFP.

"In recent years, overall deficits have fallen by 0.75 per cent to an average of 2.5 per cent (of gross domestic product). Next year, the reduction will be only 0.3 or 0.4 per cent and in the year 2000 there is talk of a near standstill, with a reduction of 0.2 per cent," he said.

"That is too little for a period of relatively strong economic growth. If conditions worsen, things could go badly," Duisenberg said.

"We think that after a dip next year, the economic climate will again become attractive, but that's all the more reason to do a little extra in terms of deficit reduction."

The deficit benchmark for countries seeking to join the European Union's single currency, which will be launched on January 1, was three per cent of GDP.

Interest rate defended

Another report from Berlin says: The European Central Bank's setting of 3.00 per cent as the key interest rate for the launch of the euro is "appropriate," Bundesbank President Hans Tietmeyer told the German weekly Der Spiegel in its Monday edition.

"A rate that is too low can become just as problematic as a rate that is too high," he said two days after the ECB formally set the rate for the 11 economics that will launch the single European currency on January 1.

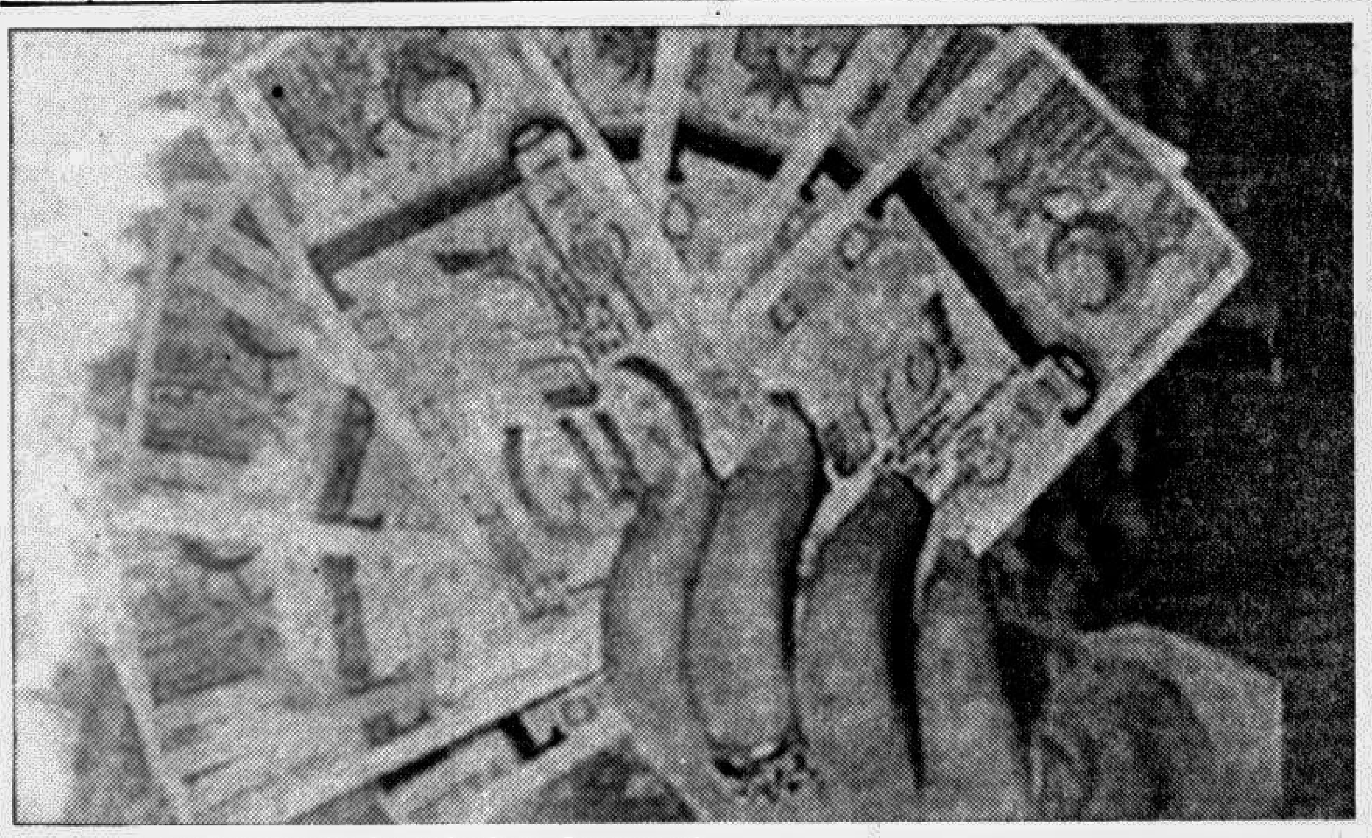
A finance minister of a non-European country recently told me that his slogan was: It's never good for a country to keep the central bank's interest rate below three per cent for a prolonged period.

"Our current rates are appropriate for the situation in Europe," he said, adding: "The rates are already at a record low level.

Tietmeyer said he believed the euro would get off to a good start, and repeated his belief that "the best contribution to fighting unemployment is monetary stability."

That was in reference to recent calls by French and German politicians for the ECB to use its influence to reduce continental Europe's chronic joblessness.

Both the Bundesbank and the ECB have consistently defended their principal goal of price stability.



The euro, waiting to be launched on January 1

London-Shanghai Virgin flights from next summer

LONDON, Dec 25: British-based Virgin Atlantic Airways will introduce the first flights between London and Shanghai starting next summer, the airline announced Wednesday, says AP.

The airline received news from the Civil Aviation Authority that it will be running two flights a week to the southern Chinese city just as its owner, British tycoon Richard Branson, was leaving Chinese airspace after crossing the Chinese border into an unauthorized zone on his bid to fly around the world by balloon.

The licence represents the first time Virgin has been chosen ahead of rival British Airways in a direct competition such as this, said a spokesman for the company.

British Airways, which holds the licence for the London-Beijing route, said in a statement it was considering appealing the CAA decision.

Metal: Weekly Roundup

Gold slips to 14-week low, silver follows

LONDON, Dec 25: The spectre of central bank selling returned to haunt the London gold market as the pre-Christmas lull saw trade thin to volatile lows, reports AFP.

Gold fell to levels not seen since September amid fears of a reduction in official holdings co-ordinated by the European Central Bank.

The yellow metal was also hit by further losses on the crude oil market early in the week.

Gold prices fell to 14-week lows early this week, as dealers feared renewed sales of European official gold reserves, while gains on Wall Street further hit prices.

On the London bullion market, the gold spot price fell by 6.5 dollars to 285.95 dollars a ounce.

Traders feared renewed central bank selling after comments made by the governor of the Bank of Portugal, dealers took his words to signal unlimited gold sales from individual central banks, coordinated by the European Central Bank (ECB).

"Do not be surprised if euro gold sales resume in the near future, which is a negative environment for gold, GNI trading house said.

Gold has also been tainted by the downward pressure of the oil market. Prices have followed crude lower after a halt was called to the Anglo-US onslaught against Iraq.

Trading volume on the London bullion market was extremely light during the short-ened, pre-Christmas week.

SILVER: Heavy. Silver prices followed gold lower, amid fresh arrivals of metal from Russia.

On the London bullion market, silver prices fell by 12.75 cents to 4.89 dollars an ounce.

Dealers said that prices on the London market were hit by arrivals of metal from Russia. Traders said that Moscow was thought to be selling off silver stocks in a bid to raise vital foreign currency for the troubled Russian economy.

PALLADIUM AND PLATINUM: Chilled. The price of platinum group metals was broadly flat as fears of a slow-down in supplies from Russia, the world's leading palladium producer, evaporated.

Russian export officials were still deliberating over the volume of exports that they would allow in 1999, but analysts did not expect any market shortage.

Meanwhile, the platinum market received some support from news that 10,000 workers at South Africa's Amplats plant were on strike. South Africa is the world's leading platinum producer.

On the London palladium and platinum market, palladium prices rose by two dollars to 310 dollars an ounce, while platinum prices fell by two dollars to 345 dollars an ounce.

COPPER: Weak. Copper prices continued to languish close to 12-year lows amid extremely low activity on the London Metal Exchange this week.

Dealers were unwilling to take up buy or sell positions for any of the base metals in any real quantity.

There was little fundamental news to move the market and even a large rise in market reserves had little impact on prices.

Three-month copper contracts were flat at 1.475 dollars a tonne.

LEAD. Dull. There was very little movement in lead prices, as elsewhere on the base metals complex.

Three-month lead prices fell by 0.5 dollars to 373 dollars a tonne.

ZINC: Zinc suffered the same lethargy as the other metals. Three-month zinc prices rose by one dollar to 958.25 dollars a tonne.

ALUMINIUM: Light. Aluminium prices showed very little activity as dealers shied clear of the market and prepared instead for end of year festivities during this week shortened by the Christmas public holidays.

Three-month aluminium prices rose by 4.5 dollars to 1,243 dollars a tonne.

NICKEL: Flat. Nickel did not escape the end year-end chill. Three-month prices fell by 2.5 dollars to 3,875 dollars a tonne.

TIN: Tumble. Tin was the main victim of investor neglect of the base metals market.

Three-month tin fell by 92.5 dollars to 5,130 dollars a tonne as traders squared their books before the close of trade for 1998.