Thai, Australian stock exchanges sign co-op deal

BANGKOK, June 25: The Stock Exchange of Thailand and the Australian Stock Exchange have signed a memorandum of understanding on sharing information, technology and expertise, Thai exchange officials said on Friday, reports AP.

"Forming partnerships with regional and international stock exchanges and other institutions will serve as a means to enhance the competitiveness as well as efficiency of the our operations," Singh Tangtatswan, president of the Thai exchange, said in a press release.

Thailand has similar agreements with the New York Stock Exchange, the Pacific Stock Exchange in San Francisco, the Philadelphia Stock Exchange, the Lima Stock Exchange and the Luxembourg Stock Exchange.

Australian exchange officials helped their Thai counterparts set up a derivatives market earlier this year.

$ 120m technology fund launched in China

BEIJING, June 25: China announced today the launch of a one billion yuan ($120 million) fund to support cash-hungry small and medium-sized technology enterprises, reports Reuters.

Technology firms could begin applying for money immediately, including favourable loans, subsidies or capital, Vice Minister of Science and Technology Deng Nan told reporters.

China has been searching for ways to steer funds into innovative small firms that are discriminated against by state banks that pour cash into lumbering government-owned enterprises.

"The fund is not profit-oriented, and its repayment will be made basically through the contribution of technology-based small and medium-sized enterprises (SMEs) to economic growth and creation of job opportunities," Deng said.

Free subsidies would be used to help nascent research and development firms, while larger enterprises with proven track records would be eligible for low interest loans and equity investments.

Equity investments generally would not surpass 20 per cent of the registered capital of the enterprise and would be "taken back in due course", Deng said.

The funds would be divided among roughly 1,000 individual projects, she said.

"Over the following three years it is hoped the fund will increase value-added industry output by 10 billion yuan," she said.

US bank trading revenues hit record

WASHINGTON, June 25: Trading revenues at US commercial banks rose to a record level in the first quarter of 1999 as market conditions remained favourable, the Office of the Comptroller of the Currency said yesterday, reports Reuters.

Trading revenues were $3.6 billion, up from $2.03 billion in the fourth quarter of 1998 and easily beating the previous record of $2.7 billion set in the first quarter of last year.

OCC Deputy Comptroller Michael Brosnan attributed the strong performance to the "combined effects of continued strong customer activity along with the more favourable market conditions compared to those experienced last fall."

The gains came despite the fact that the notional amount of derivatives in US banks' portfolios, usually a fair reflection of business activity, fell slightly to $32.7 trillion after increasing in each of the previous 13 quarters.

The OCC said most of the increase in revenues in the first quarter came from banks interest rate positions, which earned $1.4 billion compared with $669 million in the final three months of 1998.

Indonesia slashes import duties on foreign sedans

JAKARTA, June 25: The Indonesian government yesterday announced a drastic cut in its import taxes on foreign vehicles, reports AFP.

Foreign sedans, which had in the past incurred taxes of 200 per cent, will now incur duties varying from 65 to 80 per cent.

Taxes on commercials vehicles, such as buses, minibuses, trucks, pick-ups, were reduced from 80 per cent.

The new duties will range from four to 24 per cent for trucks depending on their tonnage, and will be 40 per cent for buses, and 45 per cent for four-wheel drive vehicles and minibuses.

The new package also set a maximum of import duty of 15 per cent on automotive components, except for trucks that are partly locally produced and locally assembled sedans.

For locally-produced trucks, duty on parts was set at 7.5 per cent and for the sedans at 35-50 per cent.

Import duties of between 35 and 65 per cent were imposed on motorcycles, depending on their engine size.

However, vehicles or parts for vehicles deemed to be luxury items will face substantially higher import duties of up to 50 per cent.

China still has its sights on WTO entry this year

WASHINGTON, June 25: China appears to still want to join the World Trade Organisation this year, despite political problems that have derailed negotiations with the United States, US Trade Representative Charlene Barshefsky said yesterday, reports Reuters.

"They've continued to negotiate with other trading partners, the non-NATO countries, particularly Japan, Australia, Brazil and others," Barshefsky told reporters after a Senate Agriculture Committee hearing on trade.

"I think that indicates they have still set their sights on entry in 1999," she added.

China and United States came close to striking a deal on China's entry to the WTO during Premier Zhu Rongji's visit to the United States in late April. But China cut off negotiations after NATO aircraft bombed its embassy in Belgrade on May 7.

Beijing has rejected the explanation from Washington and NATO that the embassy bombing was a tragic accident.

Allegation that China's spies stole some top US nuclear weapons secrets in the past 20 years have also strained US relationship. China has denied it stole secrets.

Barshefsky said she met with China's chief trade negotiator recently when she was in Paris for the Organisation for Economic Cooperation and Development (OECD) meeting. "That was largely as courtesy meeting," she said.

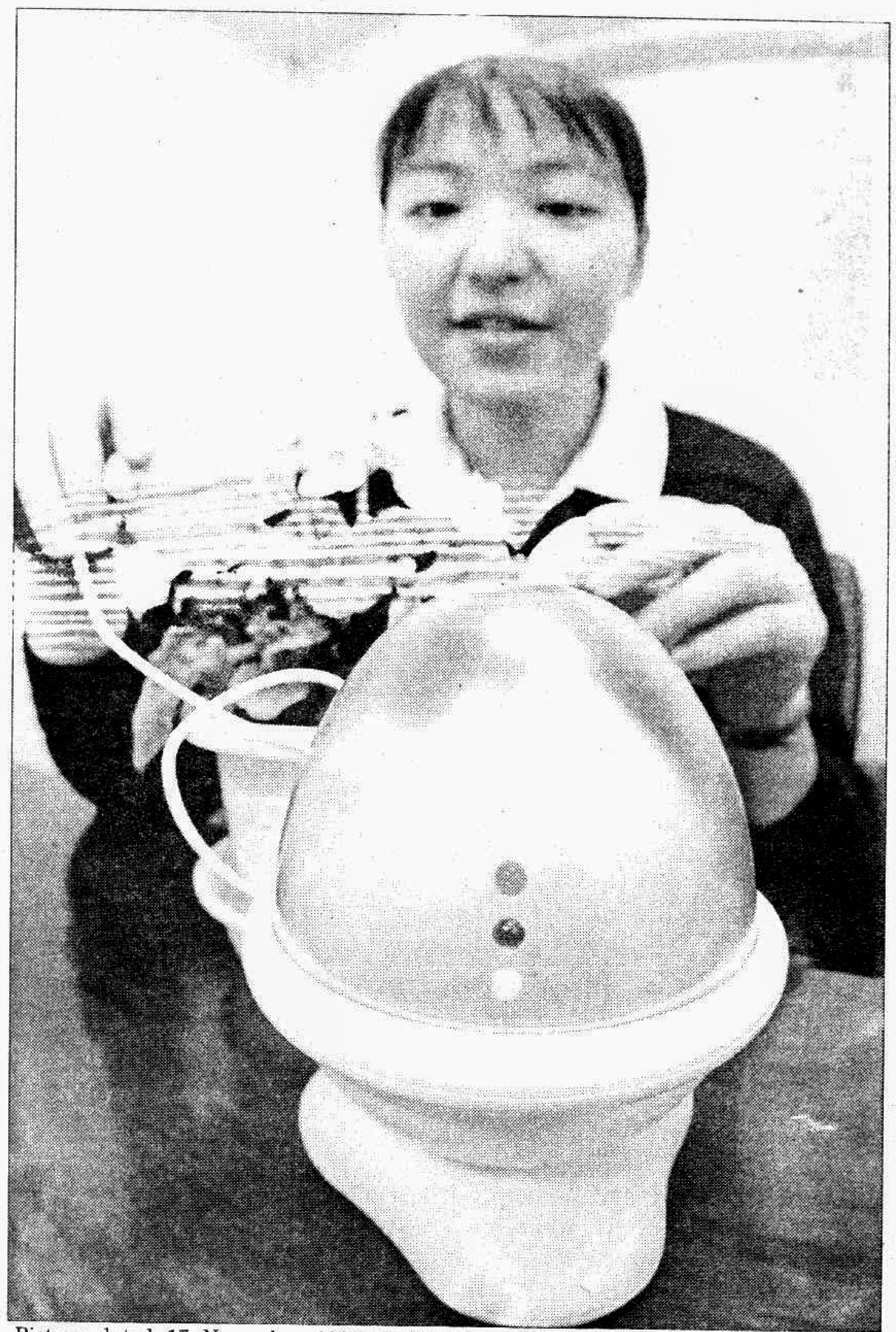
US and Chinese officials will also see each other at the Asia-Pacific Economic Cooperation (APEC) meeting next week in New Zealand, she noted.

"We will re-engage with them (on talks to join the WTO) at the point that they feel comfortable in reengaging," Barshefsky said.

"I do not expect that to happen at APEC, but hopefully we will see them come forward in the not-too-distant future."

A number of complicated issues remain in the negotiations with China on its bid to join the WTO, Barshefsky said.

But those matters could be resolved by the WTO ministerial meeting in November if China resumed negotiations, she said.



Picture dated 17 November 1999 shows Japanese toymaker Epoch's creator Mitsue Ishikawa putting electrodes on the leaves of a potted flower while Epoch's new toy Plantone flashes LED lights and plays music at the toymaker's head office in Tokyo. The Plantone observes feeble electric currents in plants and translates them into a display which shows the emotions and feelings of the plant. Epoch CO. will star selling the egg-shaped "Plantone" at toy stores across the nation today. — AFP photo

Move seen freezing up capital flow

Bankers warn IMF, G7 against bond market interference

NEW YORK, June 25: The Institute for International Finance (IIF), a private group comprising some of the largest global banks, Thursday warned that undue interference by governments in private bond and loan markets would freeze up capital flow to developing countries, reports Reuters.

"We need to build a stable and growing system of emerging markets finance," said Josef Ackermann, co-chairman of the IIF and member of the board of managing directors at Deutsche Bank AG. But that could be inhibited by "unilateral mandatory actions by public authorities," he said, speaking at a press conference called by the IIF.

US and European government ministers as well as senior officials of the International Monetary Fund have in recent weeks called for special bankruptcy clauses in global bonds.

The clauses would provide for a rapid restructuring of bonds in a crisis.

Officials of the IMF, which lends money to countries in financial distress, have also suggested that the agency has the authority to block the right of private creditors to sue a government in arrears of bond obligations.

Critics allege the IMF is trying to extend its mandate way beyond what was envisaged by its founders.

The IMF has also indicated it will consider extending loans to countries that owe money to private lenders of bonds or bank loans. Thus far, the IMF has been reluctant to lend to countries that don't pay up their bank loans or bonds.

The IMF and governments of the seven rich industrialised nations have explored ways to have the private sector share in the burden of financial problems of developing countries. The view of several officials is that bond holders, banks and investors sometimes contribute to a crisis by excessive lending to high-risk countries and companies. When the going is no longer good, the private sector should share in the losses.

But bankers said such official initiatives dramatically weaken international capital markets, which have been a growing source of financing for developing countries and their corporations.

William Rhodes, also co-chairman of the IIF and vice chairman of Citigroup, said he has told US, IMF and other officials that any attempts to introduce bankruptcy clauses in Eurobonds could have a devastating effect on capital flows to emerging markets.

If governments and the IMF want to force the adoption of bankruptcy clauses in Eurobonds, they should do so for all Eurobonds, including those issued by multilateral and quasi-governmental entities such as the World Bank and the European Development Bank.

He pointed out that official creditors have even attempted to reschedule trade finance lines in some countries such as Pakistan and Indonesia. "There are proposals on the table to take short-term trade finance and push maturities way out," Rhodes said.

Disputes, WTO leadership tussle overshadow APEC's NZ meet

SYDNEY, June 25: Senior trade officials from Pacific Rim countries meeting in New Zealand next week will work toward a unified position on trade liberalisation, officials said Friday, reports AP.

But bilateral disputes and the tussle over the leadership of the World Trade Organisation threaten to overshadow the official agenda of the Asia-Pacific Economic Cooperation forum meeting by trade ministers in Auckland on Tuesday and Wednesday.

Nations favouring liberalisation hope to iron out lingering resistance to a unified position before the meeting, paving the way for an announcement of a regional consensus in favour of a new multilateral trade round at WTO meetings in Seattle, Washington, in November, officials said.

"We're not there yet in having all APEC-member economies agree to the launch of a new set of multilateral negotiations," a senior Australian official told The Associated Press.

Pro-liberalisation countries expect no 'enormous breakthroughs' and are "hoping for as strong a supportive statement as we can get," the official said on customary condition of anonymity.

US trade representative Richard Fisher said Thursday that APEC has "real influence" regarding the way the WTO operates and that America will be pushing for real progress in agricultural trade liberalisation at the November WTO meeting.

But the United States is embroiled in a number of bilateral trade and diplomatic disputes that may distract attention from the APEC agenda in New Zealand.

The Chinese government on Thursday played down expectations that the Auckland meeting may be used to thaw Beijing's relations with Washington and to restart talks about China's entry into the WTO.

US diplomats wouldn't confirm a consultation with China was being planned.

But the Auckland meeting will bring members of China's 10-strong delegation, led by main WTO negotiator Long Yongtu, face-to-face with senior US negotiators, including Charlene Barshefsky.

Top US official Kenneth Lieberthal said this week that Washington is ready to "re-engage" China in talks after relations soured over NATO's accidental bombing of China's embassy in Belgrade and the eruption of a China spy scandal in the United States.

The meeting will also bring together WTO leadership rivals Mike Moore of New Zealand and Supachai Panitchpakdi, Thailand's commerce minister and deputy prime minister.

KL capital curbs protected its society, says UK official

KUALA LUMPUR, June 25: A British economist said Thursday that Malaysia's capital controls have protected its society from the worst possible side effects of an economic crisis, reports AP.

"The consequences on employment and social destruction appeared to have been very minimal," Alistair Newton, head of the Economics Relations Department in the Foreign & Commonwealth Office (FCO), was quoted as saying by the national news agency Bernama.

Newton, who is also policy adviser to the British Foreign Secretary Robin Cook, added that signs of economic recovery were very promising.

Malaysia's economy went into formal re # 1Msion last year when the economy contracted 6.7 per cent after nearly a decade of 8 per cent growth.

Last September, Prime Minister Mahathir Mohamad shocked the international financial community by imposing sweeping capital controls on Malaysia's economy.

Masayoshi Son (R), president of Japan's major Internet investor Softbank Corp., answers questions from reporters after a press conference in Tokyo on Thursday. Solfbank will raise 200 billion yen (1.7 billion dollars) to set up three venture capital funds in the United States and Japan. — AFP photo

S Korea urges Australia not to take beef dispute to WTO

SEOUL, June 25: South Korea urged Australia Friday to reverse its decision to take a beef imports dispute between the two countries to the World Trade Organisation, government officials said, reports AP.

"It is regrettable that Australia is bringing the matter before a WTO panel as South Korea is making its utmost efforts to import Australian beef through a fair and transparent process," said Bae Jong-ha, a director at the Ministry of Agriculture and Forestry.

Bae said his ministry has sent a letter to the Australian Embassy in Seoul, urging Canberra to withdraw the decision it made three days ago to take the case to the WTO.

South Korea imported a 87,323 tons of beef last year, of which 52,534 tons, or 60 per cent, were imported from the United States and 27,068 tons, or 31 per cent, from Australia. The rest was from Canada and New Zealand.

Bid to weather global crisis fallout

IMF favours dollarisation for Latin America

WASHINGTON, June 25: Adopting the dollar as Latin America's official currency would help the region withstand global economic crises, a panel of experts said here yesterday at an International Monetary Fund (IMF) forum, reports AFP.

Fallout from the Asian crisis in particular has raised calls for dollarisation south of the border, particularly in Argentina.

Argentine Undersecretary of Finance Miguel Kiguel told the IMF panel that the move would attract investments, create jobs and stimulate growth.

Kiguel said negotiations with the United States had not yet begun, but he expressed hope that a bilateral working group would soon be formed to study the issue.

He pointed out that Argentina's economy was already somewhat dollarised, with 58 per cent of bank deposits, 66 per cent of loans and 92 per cent of the national debt in dollars.

Jeffrey Frankel, a former White House economic adviser, said dollarisation would promote economic stability in Latin America, which has been hard-hit by financial crises, especially in Asia.

He rejected fears that domestic economies may become hostage to US monetary policies, stressing that dollarisation would boost regional trade and benefit the United States, which supplies 44 per cent of Latin American and Caribbean imports.

Eduardo Borensztein, Chief of the IMF's Developing Country Studies Division, said there are few examples that Latin America can look to for guidance in deciding whether to go ahead with dollarisation.

Only small economies in Panama, Puerto Rico, and some Caribbean and Micronesian islands have adopted the dollar as their legal currency, he noted.

However, Borensztein said dollarisation promised to reduce Latin America's vulnerability to external shocks while boosting trade and promoting integration with the global economy.

The head of Mexico's Central Bank, Guillermo Ortiz, was the lone voice strongly against dollarisation, saying his country intended to maintain its system of floating currency.

He conceded, however, that dollarisation would induce stricter fiscal discipline, lower interest rates and generate growth.

The IMF forum comes on the heels of the World Bank's fifth annual conference on development in Latin America, held in Valdivia, Chile.

Weekly Currency Roundup

June 20-June 24, 1999

Local Market

Last week started with a moderate demand for dollar, but the demand picked up as the week proceeded. The demand mainly rose due to import-related payments. In the interbank market the greenback traded between BDT 48.65 to BDT 48.67. Throughout the week, the interbank players were quite active and most of the deals took place in dollar/taka. The rush for forward covers among the corporate clients were steady.

Cash US dollars traded in a higher range of BDT 49.70 and BDT 50.25 during the week.

Early in the week, the call money demand was high and it reached a pick in the middle of the week. The call money rate finally slipped on Thursday to 7.00 to 7.5 per cent.

Throughout the week, the call rate ranged between 7.00 to 10 per cent. The rate escalated mainly because of increased government borrowings.

International Market

In the international markets, euro shed more than half a cent against dollar after the European Commission President commented that Italy risked leaving the single currency if the country kept loosing combativeness. The euro stated later in the week after President designate Romano Prodi clarified his remarks about Italy's place in European Economic and Monetary Union.

In the beginning of the week, dollar rose against yen as the market remained extremely nervous on Bank of Japan intervention. Even though the greenback registered a gain against yen it remained range-bound in 122 level underpinned by lingering fear of BOJ intervention but disinclined to rally in the absence of actual action.

In the later part of the week, pound was at it's 28-month low after minutes of the Bank of England Monetary Policy Committee's June meeting was released on Wednesday fueled the talk of lower interest rates.

On Thursday, the US markets were rattled by the fears that the Federal Reserve could raise US interest rates more sharply than investors had thought. This put dollar under pressure against major European currencies.

— *Standard Chartered Bank*

Global funds see more value in Japan shares

LONDON, June 25: Global fund managers are increasing their holdings of equities in Japan, hoping to reap the benefits of any further economic expansion there, according to Reuters June asset allocation surveys released yesterday.

The surveys showed US fund managers are boosting their exposure to Japanese stocks to 12 per cent of their global equity funds from 11 per cent in April. Continental European fund are following suit, holding 11.3 per cent versus 10.2 per cent in May while British funds now hold 10.9 per cent versus 10.8 per cent.

Japanese stocks have risen more than 30 per cent this year with fund managers citing the unexpectedly high first quarter gross domestic product growth figure of 1.9 per cent released earlier this month as grounds for further optimism.

"We are fundamental bulls on the Japanese economy," said Shaun Roache, global strategist at ING Barings in London.

Japanese investors remained bullish about local stocks, holding an average of 20.5 per cent in global equity portfolios versus 20.7 per cent last month.

Elsewhere, the looming Federal Reserve monetary policy meeting, due to end on June 30 has prompted US fund managers to a slash their holdings of Treasury bonds. US government bonds represented 33 per cent of the average US global bond fund in June versus 45 per cent in the last poll there in April.

Japanese investors took a similarly cautious line and cut back their weightings of US bonds to 41.7 per cent from 44.7 per cent in May's poll.

European and British investors, meanwhile, marginally increased their Treasury holdings, though some of that may have been concentrated at the short end of the yield curve, according to fund managers.

Reuters polled a total of 49 global fund manager based in the United States, continental Europe, Britain and Japan.

Nervousness ahead of the Fed's meeting has prompted many fund managers to sit on their hands, resulting in higher cash positions in their funds.

"We are still a little cautious and our cash weighting is a little high, but we think we are very near the top of the interest rate increases," said Tina Hetting, a bond fund manager at Danske Invest.

US shares and bonds are seen as vulnerable to any increase in interest rates by the Fed.

The poll showed most fund managers expected Fed policy makers meeting next week to hike of the Federal funds rate for overnight loans between US banks by 25 basis points (bp). A minority said rates could rise as much as 100 bps by the end of the year, representing a full percentage point increase from the current federal funds rate of 4.75 per cent.

"We are expecting just a 25-basis point increase and if this happens we will be moving back to a more neutral position in our portfolio," said Hetting.

Sharon Coombs, securities strategist at HSBC Securities in London, expects the Fed to stamp harder on the monetary brakes, affecting equity valuations everywhere.

"We are expecting 100 bps on Fed Funds over the next year, which will push up the bond yield," she said.

Most fund managers cut their holdings of euro zone equities since the last poll. US funds weightings fell to 16 per cent of their global equity portfolios from 18 per cent in April.

British investors shaved their holdings to 20.6 per cent from May's 21.3 per cent level, while continental European funds reduced weightings to 27.1 per cent from 28.6, the third consecutive monthly reduction.

Japanese managers were more positive, edging up their euro zone weightings to 20.8 per cent from 20.4 per cent.

Neil Williams, global strategist at Goldman Sachs in London, said European equities, which have underperformed most other major markets in recent months, could perk up soon.

"Some of the factors which have contributed to the underperformance of European equities are coming to an end," he said.

If European growth clicks in to gear, the euro would be in for a reversal and corporate earnings could exceed growth expectations, Williams said.

Filipino forex reserve hits all-time high

MANILA, July 25: The Philippine Central Bank has an all-time high foreign reserve of 13.95 billion US dollars as of the end of May, Philippine Daily Inquirer said today, reports Xinhua.

The paper quoted Central Bank Governor Gabriel Singson as saying the latest gross international reserves figure was made possible by the purchase of 2.6 billion dollars at the Philippine dealing system since the start of the year.

Singson said the figure, the highest in history, is already beyond the original target of 13.2 billion dollars for the whole year, enough to cover the country's imports of goods for more than five months.