

Exchange rate, bank restructuring, reform bug bankers

Worst may be over for Asia, but there's plenty to mull over

SHANGHAI, July 11: The worst of the Asian financial crisis which rocked global markets two years ago may be over, but international central bankers gathering here this week still have plenty to mull over, reports AFP.

Exchange rates, international monetary cooperation, bank restructuring and financial reform are among some of the broad topics up for discussion at Monday's Shanghai meeting of the Bank for International Settlements, a BIS official told the agency.

International central bank chiefs attending the gathering are also expected to look at banking supervision and Year 2000 computer bug compliance, the official said.

Signs of an Asian economic rebound have prompted some analysts to question if governments still have the will to pursue financial reform and bank restructuring.

The issue of restructuring is not diminished by the fact that there has been some recovery in

evidence," said the official, who spoke on condition of anonymity.

Attempts so far to increase capital levels, make balance sheets more transparent and improve the regulatory and supervision functions of central banks have been viewed positively, he added.

The restructuring of China's banks — which have a huge burden of bad debt as a result of years of government-directed lending to loss-making state enterprises — is being closely watched by the BIS, analysts note.

"China is an anchor of stability in the region and the Europeans are also the largest creditor group to China," said Chi Lo, China economist at IBCA.

"About 42 per cent of the total foreign loans extended to China last year came from Europe," he said, citing international banking estimates.

Regional central banks are also struggling to keep their currencies weak to support the

export-led recovery, even as the euro falls to new lows against the dollar.

Asian countries are keen that China — whose exports slumped 5.3 per cent from January to May — does not devalue the yuan and spark a new round of devaluations across Asia following the mid-1997 crisis.

With the euro almost down to parity with the dollar, European nations would like Asian central banks to pile some of their huge foreign exchange reserves into the fledgling currency.

"Central banks from Europe want to talk about the future of the euro," said Arthur Lau, deputy head of financial institutions at ratings agency Fitch IBCA.

"Some Asian central banks have talked about whether they want to put some of their reserves in the euro, but the currency is really weak right now," he said.

Japan and China have the two largest foreign exchange reserves in the world. Japan had

223.7 billion dollars at the end of May while China had 146.6 billion dollars as of end March.

The BIS, dubbed "the central banks' central bank," currently manages about 120 billion dollars worth of reserves, a large portion of which is from Asia.

Pending board approval, it is also planning to open a "trading room" to handle investments for Asian central banks, said the BIS official.

The Shanghai meeting is only the second time that the Swiss-based BIS has moved beyond its Basel headquarters for its monthly meeting. The first time was a year ago in Tokyo.

The BIS also had an informal meeting in Hong Kong in January which agreed that Asia was "on the mend" but that efforts to shore up shaky banking systems needed to continue.

Central bank governors from leading industrialised nations are expected to meet informally on Sunday afternoon, and will be joined by their Asian counterparts in Monday's formal sessions.



Dai Xianglong (L), governor of the central People's Bank of China, walks with a colleague to a meeting Sunday in Shanghai. Central bankers from the Group of 10 (G-10) industrialised countries and China gathered in Shanghai on the day for preliminary talks ahead of a larger Bank for International Settlements meeting to tackle the world's financial issues.

— AFP photo



Captain of the inaugural flight of Uzbekistan Airways alongwith country manager Allayar Hasanov and officials of GSA, Airspan Ltd., cut the cake to herald the inauguration of the second frequency to Dhaka.

— Uzbek Airways photo

Ecuadoran banana producers to join transport strike

QUITO, July 11: Producers of bananas, this country's chief export, yesterday announced they will join a massive six-day nationwide transport strike that has disrupted life across this South American nation, says AFP.

The protest has spread during the week to include hospital workers, farm hands, Indians and others who disagree with President Jamil Muhand's handling of the run-down economy.

Alfredo Serrano, head of the banana association in southwestern El Oro province told AFP that by Monday roads between Machala — known as the world banana capital — and the port town of Guayaquil would be closed.

Serrano said that apart from showing solidarity with some 110,000 bus, taxi and truck drivers on strike, the banana producers' action was also to protest being underpaid by exporting companies.

Exporting companies routinely pay under the official 2.60 dollar rate per box of bananas, to the detriment of producers, he said.

Ecuador is the world's largest banana exporter. In 1998 it exported 3.84 million tonnes of the fruit, earning the country over one billion dollars.

Meanwhile, Pedro Alava — the taxi union leader who has been in hiding since Muhand declared a state of emergency and arrested a number of taxi drivers — told journalists Saturday he had held talks with a

top government official on ways to end the strike.

"We are demanding the government revoke the price increase and freeze the price of the gallon of gasoline for at least two years at June's rate," Alava said.

Some 60,000 truck drivers late Friday threw their weight behind the strike, which was

operated by union leaders.

"We took the decision (to stay on strike) when President Jamil Muhand refused to meet with us and told us maybe he would see us next Monday. That was the last straw," said truck driver union leader Nelson Chavez.

"We will take our units out of service but we will not block the streets, because we are peaceful, civilized people, and we don't want problems, only solutions to our problems as workers," Chavez added.

Taxi drivers built new barricades across the country's main roads Friday morning, forcing thousands of people of walk to work in the piles of stones, uprooted trees and tires here in Cuenca and Guayaquil.

"I will never resign because I have a responsibility to Ecuador that I won't relinquish," Muhand told reporters.

Muhand insisted that once Ecuador signs a 400-million-dollar deal with the International Monetary Fund in late July, the government would pay back wages owed to public workers.

originally launched by 50,000 taxi drivers to demand that the government revoke a 13.1 per cent gasoline price hike decree by Muhand on July 1.

Bus and truck drivers on Friday had said they hoped a planned meeting with Muhand would yield a solution — but that meeting was postponed indefinitely by the government with no explanation given, according to union leaders.

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Weak gold prices shave India's forex reserves

BOMBAY, July 11: India's foreign exchange reserves fell by \$167 million in the week to July 2 led by a steep fall in the value of its gold holdings, reflecting weak world prices, says Reuters.

The Reserve Bank of India (RBI) on Saturday said India's foreign exchange reserves were \$33,009 billion on July 2, down from \$33,176 billion in the previous week.

The central bank's foreign currency assets fell \$13 million in the week to July 2 to \$30,303 billion, while gold was down \$154 million during the same period.

Analysts said the drop in gold holdings was on account of losses following the drop in international gold prices.

The central bank does not indicate reasons for the drop in reserves.

"It is purely valuation. They (RBI) carry out periodic valuation of their portfolios and the drop in gold holdings may be to account for falling global gold prices," the head of currency trading at an American bank said.

Gold prices in London were fixed at \$261.20 a troy ounce on June 30 as against \$266.85 on June 1.

Traders said the relatively small drop in the foreign currency assets indicated lower intervention by the central bank during the week.

Speculation grew that the rouble could again crash when the central bank last month

Russian central bank rules out rouble devaluation

MOSCOW, July 11: Russian central bank chairman Viktor Geraschenko yesterday dismissed speculation that there would be a devaluation of the rouble one year after an economic crisis which sent it into freefall, says Reuters.

Geraschenko said the rouble was expected to remain steady and that the International Monetary Fund's reported approval of a memorandum setting out Russia's economic plans would boost stability.

"Our specialists believe that the rouble rate will, on the whole, be stable until September, if there are no extraordinary events," Geraschenko told state television.

"I believe there will be no devaluation before or right after August 17."

Former prime minister Sergei Kiriyenko was forced to let the rouble devalue last August 17, dragging Russia into a merry-go-round of banking, economic and political crises.

Geraschenko did not rule out fluctuations in the rouble rate against the dollar, but said the central bank expects to keep the exchange rate between 24 and 25 to one dollar.

"This does not mean there will be no changes in the rouble rate to the dollar. But on the whole the tendency will naturally be towards lowering the rouble rate," he said.

Speculation grew that the rouble could again crash when the central bank last month

abandoned one of the chief bulwarks of currency stability by getting rid of a special trading session where the bank had cornered the market on dollars.

The central bank has also eased a ban on foreign banks using roubles held in correspondent accounts in Russia to buy hard currency, meeting one of the requirements set by the IMF to secure new loans.

The ban had been introduced in April to support the battered rouble, which had slumped more than 70 per cent since the August financial crisis. The rouble, which traded at 24.42 on Friday, stood around six against the dollar in August.

Russia's economy, which has stabilised over recent months, is still desperate for IMF loans to pay back the Fund itself and open doors for credits from other international lending organisations.

The IMF had called on Russia to modify its economic programme before releasing a \$4.5 billion loan over 18 months.

Geraschenko said the IMF's endorsement of Russia's economic programme, announced by a Russian official earlier on Saturday, "will also provide some relief."

Alexander Livshits, Russia's special envoy to the Group of Eight nations, said Russia hopes that the IMF board of directors will approve the loan application and disburse the first tranche of the new credit this month.



M A Samad, Chairman of Usmania Glass Sheet Factory Enterprise, a subsidiary project of BCIC, hands over the 15 per cent dividend cheque to M Anwarul Hoque, Chairman of BCIC recently. Director (Finance) Mirza A Matin, Director (Commercial) Hasanul Mursheed and Managing Director of the factory Hidayet Ullah are seen in the picture.

Exchange Rates

Following are yesterday's Standard Chartered Bank rates of major currencies against Taka:					
Central Bank USD/BDT Rate: Buying - BDT 48.35/Selling - BDT 48.65					
Selling	Currency	TT Clean	OD Sight Doc	OD Transfer	
48.7300	48.7700	USD	48.3200	48.1599	48.058
0.4083	31.0696	JPY	0.3852	0.3839	0.3832
31.0441	31.0696	CHF	30.4531	30.3522	30.2420
29.3731	29.3972	SGD	27.7701	27.6781	27.6297
34.0460	34.0793	CAD	31.9513	31.8454	31.7269
5.6944	5.6991	SEK	5.6271	5.6085	5.5967
34.4083	34.4365	AUD	30.2290	31.1288	20.9320
12.9611	12.9718	MYR	12.5824	12.5407	12.5090
6.3300	6.3352	HKD	6.1796	6.1591	6.1460
13.0998	13.1106	SAR	12.7804	12.7380	12.7057
13.3771	13.3881	AED	13.0461	13.0028	12.9696
0.0418	0.0418	KRW	0.0410	0.0409	0.0408
75.9457	76.0080	GBP	74.4853	74.2384	73.9645
49.8752	49.9161	EUR	48.9385	48.7763	48.6911

Usage Export Bills					
TT DOC	30 days	60 days	90 days	120 days	100 days
48.2204	47.9228	47.5257	47.0690	46.5725	45.4605

Exchange rates of some Asian currencies against US dollar

Indian Rupee	Pak Rupee	THAI BAHT	Maql. Rngit	Indo. Rupiah	Sing. Dollar

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