

Thai PM says at Economic Summit in S'pore

E Asia has no choice but to be responsive to globalisation

SINGAPORE, Oct 18: The free-market system and benefits of democracy helped to usher Asia through the devastating economic crisis that toppled one economy after another, the prime minister of Thailand said Monday as he opened an Asian economic summit here, says AP.

"Economically, we have no choice but to be more responsive to market conditions and trends, especially given today's world of rapid globalisation," Thai Prime Minister Chuan Leekpai said in his speech to the three-day East Asian Economic Summit.

"We have to ensure that our economies are competitive, with sound macro-economic policies, with professional and accountable public and private sectors, and with internationally accepted regulatory and supervisory frameworks," he said.

As the region continues to rebound from the crisis that knocked out most Asian economies in 1997, the eighth annual summit will now take a look at new growth possibilities in the region.

Chuan, Malaysia's Prime Minister Mahathir Mohamad and Singapore Prime Minister Goh Chok Tong, as well as some 700 economists and business representatives from around the world, are taking part in the conference organised by the Geneva-based World Economic Forum.

Chuan tied economic recovery to the principles of democracy and open markets.

"Democratic ideals and concepts of popular participation are closely linked with principles of competition and the free-market economy and are, as a consequence, consistent with our economic liberalisation and development plans," he said.

In a bow to neighbouring Malaysia, Chuan emphasised that every country has the right to its own formula for recovery.

"I wish to stress that there does not exist a ready, nor single formula for structural change and reform," Chuan said. "Every country has its own unique characteristics and special problems, all of which demand their own solutions and approaches."

Mahathir, scheduled to speak later in the day, has been the lone Asian advocate for capital controls. While frowned-on by Western economists, Malaysia's controversial capital controls helped to lift the Southeast Asian nation out of its first recession in a decade.

Malaysia imposed those capital controls in September 1998, restricting foreigners from repatriating their investments for at least one year and pegging the ringgit at 3.8 to the US dollar.

Among those attending the summit are Stanley Roth, US Assistant Secretary of State for

East Asian and Pacific Affairs; Australia's Foreign Minister Alexander Downer; Stanley Fischer, deputy managing director of the International Monetary Fund; and Joseph Stiglitz, vice president of the World Bank.

Lee Kuan Yew, former prime minister of Singapore and the city-state's most influential politician, was also expected to speak at the conference.

The meeting will also address the security situation in the region, particularly Indonesia, which will elect a president later this week.

"But nothing should be done to discourage longer-term inflows, especially of foreign direct investment," he said.

He said as capital flows revived, many countries faced the challenge of discouraging excessive fluctuations in short-term flows as well as ensuring economies are strong enough to withstand the fluctuations in capital flows that will inevitably occur.

Policy requirements included stronger domestic policies and financial systems, and consistency between the exchange rate and macro policies, he said.

They also included strengthened prudential regulations in both the capital-originating and the capital-receiving economies and an improved monitoring mechanism based on much better data on the nature and sources of the flows, he said.

Another report from Reuters says: The International Mon-

Philippines foreign debt falls

MANILA, Oct 18: The Philippines foreign debt fell 1 per cent to \$48.12 billion as of the end of June from \$48.63 billion at the end of the March, according to central bank data released over the weekend, says AP.

Short-term debt, that with one-year maturities, accounted for 13.58 per cent of the debt load as of the end of June, down from 13.95 per cent at the end of March.

The remainder consisted of medium- and long-term debt.

The public sector accounted for more than 63 per cent of the total foreign debt as of the end of June, with non-bank borrowers, including the national government, accounting for 52 per cent.

China launches 3rd bad loan clearing body

SHANGHAI, Oct 18: China has launched a third bad debt agency in an attempt to dig its state banks out of an avalanche of failed loans to state industry, state media said Monday, reports AP.

Great Wall Asset Management Corp with 10 billion yuan (drs 1.2 billion) in capital, is to take over bad loans from the Agricultural Bank of China, one of four main state banks, the China Securities News said.

China is trying to revitalise state banks that are insolvent by outsiders as insolvent by international standards. They have hundreds of billions of yuan (tens of billions of dollars) in nonperforming loans outstanding to failing state companies.

Great Wall will try to turn around delinquent debts through corporate restructuring, asset exchanges and debt-for-equity swaps, agency president Wang Xingyi was quoted as saying.

The agency started operation Monday.

News reports did not say how large the Agricultural Bank's bad loan portfolio is. Wang said Great Wall will "emphasise drawing on overseas experience," but did not say whether it would seek foreign investment.

Bad debt clearing agencies already have been set up for the Bank of China and the Construction Bank of China.

Bank of China says its overdue and nonperforming loans total 130 billion yuan \$16 billion. Construction Bank's clearing agency says it expects to handle some 200 billion yuan \$25 billion in bad loans.



An East Timorese peasant family carrying farm tools and a basket of harvested root crops walk uphill in the mountains of Ermera Monday. Ermera's population struggles from the aftermath of militia violence, having most of the houses burned after East Timor voted for independence on 30 August 1999.

— AFP photo

Malaysian bank mergers won't mean job losses

KUALA LUMPUR, Oct 18: Malaysia's drastic reorganisation of its banking industry will not result in job losses, a senior finance official said Monday, reports AP.

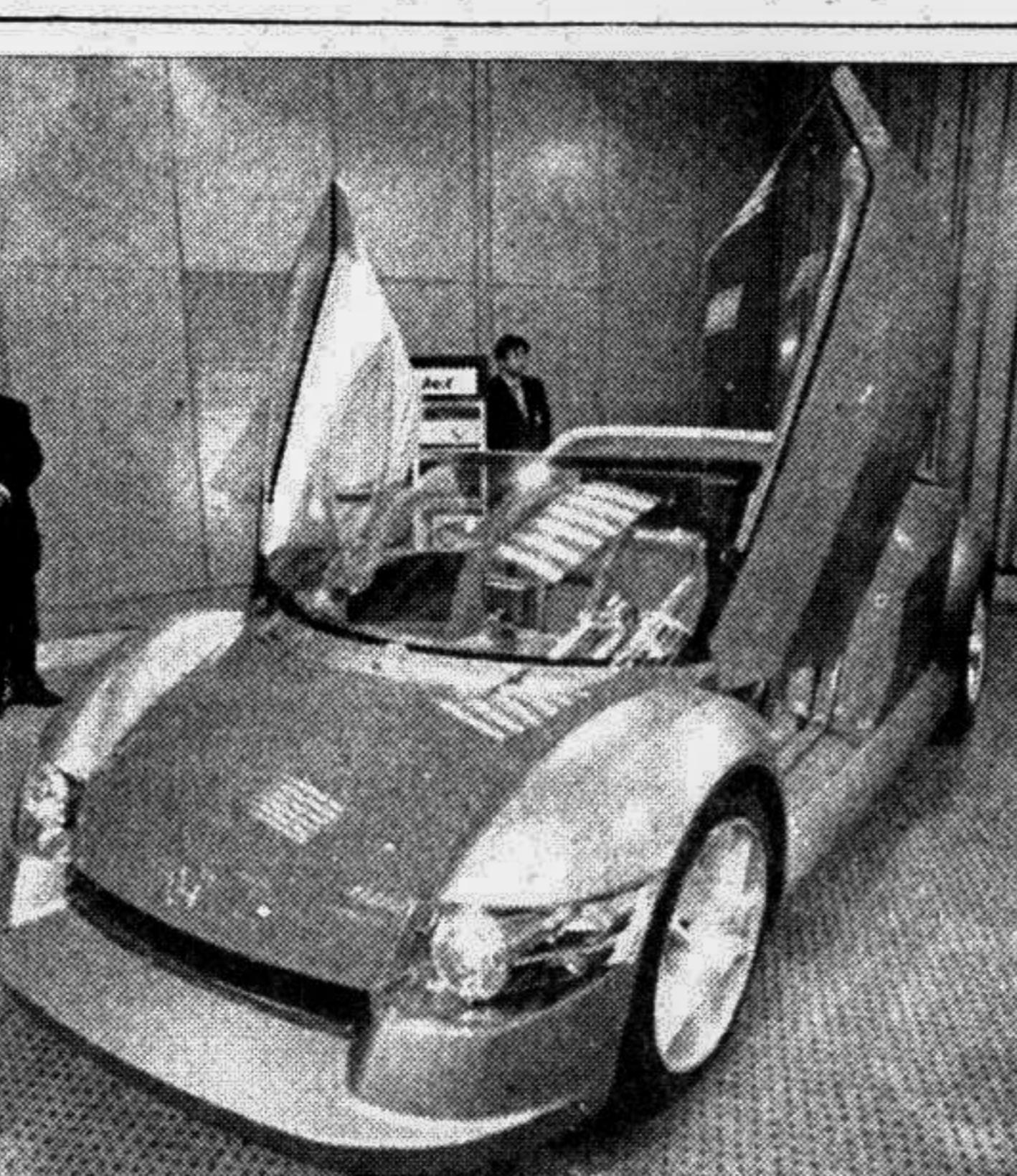
The government today gives its assurance that forced resignations of workers will not happen, junior Finance Minister Mustapa Mohamad was quoted as saying by Bernama news agency. There were 82,482 bank employees, he said.

Mustapa said it was government's policy to protect the interests of bank employees since job opportunities had shrunk because of the recession.

He cited the recent merger between Bank Bumiputra and Bank of Commerce as proof of the government's sincerity.

Bank Bumiputra had 8,000 workers and Bank of Commerce and 2,000 workers, and after the merger not even one worker was laid off, Mustapa told Parliament.

Malaysia's central bank surprised bankers in July by



Japanese auto giant Honda unveils a sporty concept car named 'Spocket,' which has gull-wing type doors on the four-seater body, during the press preview for the upcoming Tokyo Motor Show at the company showroom in Tokyo Monday.

— AFP photo



Malaysian Prime Minister Mahathir Mohamad (L) talks to Klaus Schwab (R), founder and President of World Economic Forum during the East Asia Economic Summit in Singapore Monday. Mahathir proposed an exclusive East Asian forum to discuss monetary cooperation and problems in the region on a daily basis.

Capital controls defended

Mahathir attacks Western currency traders again

SINGAPORE, Oct 18: Malaysian leader Mahathir Mohamad spiced up an economic summit Monday by issuing one of his trademark attacks on Western currency traders and financial institutions, proclaiming that his Southeast Asian nation had survived the economic crisis by following the "Sinatra principle," reports AP.

In an impassioned and humorous speech that defended his country's controversial capital controls, Mahathir chastised those naysayers who predicted his economic philosophy would bring down the country if Kuala Lumpur didn't accept financial aid and the policies of the International Monetary Fund.

"We have achieved whatever we have achieved according to the Sinatra Principle. We have all done it our own way," Prime Minister Mahathir said to the laughter and applause of some

700 top economics and business attending the East Asia Economic Summit.

While other Asian countries, such as Thailand, South Korea and Indonesia, accepted IMF bailout packages as they were sinking, Malaysia refused to join the bandwagon and instead imposed capital controls, low interest rates and hiked government spending to revive its economy.

This was because, despite bouts of insanity, infatuation and detours into the blind alley of ideological dogmatism, we placed the very highest emphasis in the final analysis on pragmatism — on doing what works. Not on doing what is fashionable," Mahathir said.

Malaysia imposed the capital controls in September 1998, restricting foreigners from repatriating their investments for at least one year and pegging the ringgit at 3.8 to the US dollar. The restrictions have since

US commerce secretary urges Arab states to boost trade

DUBAI, Oct 18: US Commerce Secretary William Daley urged Middle Eastern states on Sunday to boost trade to attract badly needed foreign investment, says Reuters.

Speaking in the United Arab Emirates (UAE) on a nine-day tour of the region, Daley said: "I hope it is the start of a new chapter in the Middle East — one called trade. The fact is the Middle East lags behind other parts of the world for foreign investment — it only receives two per cent of all foreign investment in the world."

He added: "There is also less intra-regional trade here than in other parts of the world. In the Middle East, only about eight per cent of trade is with other Middle Eastern countries."

Daley was speaking to UAE businessmen and reporters at the Dubai Chamber of Commerce at the end of a tour which included Jordan, Israel, the West Bank, Egypt and Saudi

Arabia.

Accompanied by executives from 20 US companies, he has pressed Middle East leaders to lower tariffs and other trade barriers to thicken trade ties and investment.

In Saudi Arabia, the world's biggest oil producer, Daley called on Gulf Arab states to move towards economic integration to attract US investment in the oil-rich region.

He said linking stock exchanges, facilitating branch banking and cooperation in setting product standards would be instrumental in luring Western cash.

"All of these steps are important to attracting American and other foreign investors to the GCC (Gulf Cooperation Council) countries," he said.

He urged Gulf Arab states to settle quickly on a common tariff. "I know you are getting closer to agreeing on a common tariff. I encourage you to do what you can to move rapidly in this area," he said.

Daley said higher oil prices should not weaken the resolve of Middle Eastern countries to push ahead with economic reforms.

"And let me say, with oil prices recovering, this part of the world should not become complacent, and think old ways will work, and nothing needs to be changed," he said.

Should the price of oil drop again, it would be even more difficult to institute the necessary economic reforms. Now is the time to make them."

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