

'Chinese economy to exceed Japan's in 50 years'

SINGAPORE, Dec 13: China's economy will be bigger than Japan's in the next 50 years as Beijing prepares to become one of the world's trading powerhouses, said Singapore's elder statesman Lee Kuan Yew, reports AFP.

"I think in 50 years the Chinese economy will exceed the Japanese economy but the Japanese economy will still be a very powerful one and one of a higher capacity," Lee said in an interview aired late Sunday by satellite broadcaster CNBC Asia.

"So I see the Japanese economy as a pacesetter, a trendsetter, without that same overwhelming weight they enjoy today," said the 76-year-old senior minister.

Lee, who ruled Singapore with an iron hand when he was prime minister for more than 30 years until 1990, however said Japan would be well ahead in technology and goods and services because it is "starting off from a much higher plateau."

He said China was not regarded as a threat of the United States and the West as it has yet to become an economic competitor.

But it will change in about 20 years, Singapore's former leader said, especially with Beijing's entry into the World Trade Organisation (WTO).

"In 20 years, with WTO membership as the basis for further trade investments and economic ties across the board, I believe China would be a major component of both the European and American and even the Japanese economy," he said.

Singapore and China established diplomatic relations in 1990 and Beijing is currently the island state's sixth-largest trading partner. Singapore was China's fourth-largest foreign investor in 1998 after Hong Kong, Taiwan and the United States.

Trade between the two countries in 1997 rose by 31 per cent to 14.5 billion Singapore dollars.

SIBL opens its 12th branch in Ctg

The 12th branch of Social Investment Bank Limited (SIBL) was inaugurated Sunday at Khatungonj in Chittagong by its founder Chairman, Prof Dr. MA Mannan, says a press release.

Prof M Azhar Uddin, ex-member, Public Service Commission and Chairman, Shariah Board, SIBL was present as the guest of honour.

The inaugural function was attended among others by the directors of the bank and the Dy. Managing Director, M Shahjahan Mantu.

In his keynote address Dr. MA Mannan dwelt at length on the economic scenario of the third world with special reference to Bangladesh and made a clarion call to take ahead social investment in lieu of social charity for economic development and social peace.

US demand for machine tools increases

WASHINGTON, Dec 13: US demand for machine tools rose in October for the second consecutive month, pointing to an end to a recent slide in demand, two industry groups said yesterday, reports Reuters.

A joint report from the American Machine Tool Distributors' Association (AMTD) and the Association for Manufacturing Technology (AMT) put demand for machine tools at \$4.7 billion in the first 10 months of this year, down 30 per cent from the same period in 1998.

But demand rose 3.9 per cent to an estimated \$529 million in October, from a revised \$509 million in September, the two industry groups said.

While year-to-date orders for 1999 are off 40 per cent from the same period in 1998, trends point to a bottoming-out in the machine tool market's slide," AMT President Don Carlson said in a statement. "It's an excellent way to start the closing quarter of 1999."

Machine tools are used to shape metal in making everything from bicycles to aircraft parts. Demand for these tools can provide a leading indicator of the pace of manufacturing.

Carlson said October's demand for machine tools outpaced the year-ago figure for the first time this year. October demand was 2.5 per cent above the \$516 million estimated for October 1998.

By region, the report said the Midwest accounted for 46 per cent of national demand in October, followed by 15 per cent each in the central and Northeast regions. The South accounted for 13 per cent and the West 10 per cent, the report said.

Total units ordered were 2,403 in October, up from 2,323 units in September, it said. Total orders for the first 10 months of 1999 were 22,020 units.

Export orders totalled 149 units in October, up from 129 units the prior month. Orders for the January-October period were 1,224 units, the report said.

IMF for Hanoi's openness on reform policies

HANOI, Dec 13: Vietnam should talk more openly about the tough choices it faces reforming the economy and give disgruntled foreign investors some clarity over where the country is heading, an IMF official said, reports Reuters.

Dennis de Tray, senior resident representative of the International Monetary Fund in Vietnam, said one of the key lessons from the recent Asian economic crisis was that governments should be up front about their policies.

De Tray, speaking in an interview over the weekend, said he sensed there was a keen debate among Vietnam's leaders about the challenges and costs of opening up the economy and embracing the global marketplace.

But it would help businessmen understand Hanoi's position if these issues were aired, he said, adding one factor blocking the return of investment to Vietnam was probably confusion about the direction the country was taking.

"I would encourage the government to be more open about the debate," said de Tray, a former long-time World Bank official, who headed the bank's operations in Indonesia from

mid-1994 until early this year before joining the IMF.

"Experience suggests that a major factor in attracting investment that will lead to sustainable growth is clarity over the type of economy and system that Vietnam is moving towards."

"This is not to say there is a right or wrong direction, but that clarity is important," de Tray added.

Investors say the lack of clear policy direction is a key risk in communist Vietnam, which began adopting market-oriented reforms in 1986 but has largely failed to deliver on expectations it would be the next Asian Tiger economy.

Businessmen cite a stalled trade agreement with the United States as a prime example.

"They have called the pact, which would help open Vietnam's economy, the country's most important economic development in years. But since reaching agreement in principle on the deal last July, Hanoi has said virtually nothing about the deal."

That has heightened uncertainty for businesses banking on the agreement and reinforced perceptions Vietnam's

leadership is completely divided over economic reform.

De Tray said Vietnam should remember that East Asia — including the now struggling Indonesia — recorded such rapid development and gains in poverty reduction because of open economies and export-led growth.

He said Asia's economic crisis did not alter that message, although caution should be exercised on external financing.

"The most important message for Vietnam is probably that the successes East Asia had for decades were driven by integration into the international economy," de Tray said.

"Asia crisis highlights a legitimate need to be careful in some areas, but mostly underscore the value of openness, transparency and clear rules of the game for investors."

Vietnam's actual inflows of foreign investment are expected to be \$600 million this year, the lowest amount since 1992, according to figures compiled by foreign donors.

The World Bank has said unless Vietnam stepped up reform, economic growth could be 3.5 per cent next year and then three per cent thereafter — the lowest rates in a decade.



Executive Director of Rangs Group of Industries Ltd Rumea A Hossain and Deputy Managing Director of Prime Bank Ltd Naser Bukhtear Ahmed sign a memorandum of understanding on consumer credit scheme on behalf of their respective sides in the city yesterday.

Rangs, Prime Bank sign MOU on consumer credit scheme

A memorandum of understanding (MOU) on consumer credit scheme was signed between Prime Bank Limited and Rangs Group of Industries Ltd at Rangs Board Room yesterday, says a press release.

The MOU was signed by Naser Bukhtear Ahmed, Deputy Managing Director of Prime Bank Limited and Rumea A Hossain, Executive Director of Rangs Group of Industries Ltd.

During the signing ceremony, Senior Vice President and in-charge of Mottilheel Branch of Prime Bank Limited Shamsul Alam, senior officer Asma Chowdhury and from Rangs Industries Ltd. Commercial Manager R A Siddiqui, General Manager Mokhlesur Rahman and Finance Manager Nurul Kader Chowdhury were also present.

Daffodil Computers opens branch at N'ganj

A new branch of Daffodil Computers Ltd was opened at Narayanganj on Friday.

A K M Shamim Osman, MP, attended the inauguration ceremony as chief guest while Mostafa Jabbar, Ex-President, Sabur Khan, Joint Secretary of BCS were present as special guests, says a press release.

Mostafa Jabbar in his speech stressed the necessity of computer and computer education to meet the challenge of the new millennium. He called for setting up computer education institutions of international level using total expertise and resources.

He sought effective measures by the government to establish data entry and software development industry in the country.

Sabur Khan, Managing Director of Daffodil Computers Ltd, thanked the government for removing tax and VAT on computer import and distribution.

Two Japanese automakers to integrate bus production

TOKYO, Dec 13: Japanese medium-sized automakers Isuzu Motors Ltd. and Hino Motors Ltd agreed Friday to integrate their bus operations to remain competitive, says AP.

Isuzu and Hino will set up a newly jointly owned company within a year to jointly produce buses by 2002, the companies said in a release.

Hiroshi Sasaki, spokesman for Isuzu Motors, said the two companies will also cut costs by unifying their sales and research and development operations for buses.

Through the alliance, the two automakers will aim to take a combined share of about 50 in Japan's bus market, Sasaki said.

Isuzu, which also produces trucks and sports utility vehicles, is owned 49.0 per cent by US carmaker General Motors Corp.

Asia in transition to investment-led growth

HONG KONG, Dec 13: Asian economies face a year of transition in 2000 to an investment-led growth phase that will bring higher interest rates, firmer exchange rates and slower expansion, according to a US investment bank, reports Reuters.

"We view 2000 as a transition year for Asia as economies shift from recovery-led to investment-led growth spurred by the deregulation of the service sector," Andy Xie, chief economist at Morgan Stanley Dean Witter, said on Monday.

Xie says only Korea is making the transition at the moment with the others likely to follow during next year, making it 2001 before the investment-led growth phase really kicks in.

As a result of this analysis, Morgan Stanley forecasts the Bank of Korea would raise overnight call rates by 125-150 basis points by the middle of 2000.

Elsewhere in Asia interest rates will probably only rise by around 50 basis points in line with movements by the US Federal Reserve.

Better growth on way The prospect of higher interest rates during the investment-led growth phase is also causing the US-based bank to lower growth forecasts.

It now expects non-Japan Asia to grow by 6.3 per cent in real GDP terms in 1999.

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against Taka to clients.					
Currency	Selling TT & OD	Selling BC	Buying T T Clean	Buying OD Sight Export Bill	Buying OD Transfer
US Dollar	51.2300	51.2700	50.8100	50.6570	50.5950
Pound Stg	83.3358	83.4009	82.1191	81.8718	81.7555
Deutsche Mark	26.9583	26.9794	25.9450	25.8668	25.8301
Swiss Franc	32.6618	32.6873	31.9721	31.8758	31.8305
Japanese Yen	0.5030	0.5034	0.4938	0.4923	0.4916
Dutch Guilder	23.9280	23.9447	23.0266	22.9573	22.9246
Danish Krona	7.0327	7.0392	6.8789	6.8562	6.8465
Australian \$	33.0946	33.1204	31.7817	31.6860	31.6429
Belgian Franc	1.3070	1.3081	1.2579	1.2541	1.2522
Canadian \$	35.0291	35.0664	34.0208	33.9183	33.8701
French Franc	8.0380	8.0443	7.7359	7.7186	7.7016
Hong Kong \$	6.6625	6.6676	6.5227	6.5031	6.4938
Italian Lira	0.0272	0.0273	0.0262	0.0251	0.0251
Norway Kroner	6.4254	6.4304	6.3211	6.3021	6.2932
Singapore \$	30.9267	30.9508	29.9323	29.8421	29.7997
Saudi Rial	13.6964	13.7071	13.5108	13.4701	13.4510
UAE Dirham	13.9666	13.9875	13.7954	13.7539	13.7344
Swedish Krona	6.0656	6.0703	5.9910	5.9730	5.9645
Qatari Riyal	14.1122	14.1232	13.9160	13.8741	13.8543
Kuwaiti Dinar	174.3466	174.4827	161.8462	161.3589	161.1296
Thai Baht	1.3298	1.3298	1.3144	1.3105	1.3086
Euro	52.7259	52.7671	50.7439	50.5911	50.5192

Bill buying rates					
TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
50.7112	50.3866	49.9632	49.5398	49.1163	48.2695

US Dollar London Interbank Offered Rate (LIBOR)					
Buying (\$)	Selling (\$)	Currency	Months		
			1	3	6
50.5850	51.2300	USD	6.4625	6.12125	6.0915
81.7555	83.3358	GBP	5.63641	6.9555	6.15906

Exchange rates of some Asian currencies against US dollars					
Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
43.45/43.50	51.88/51.90	38.59/38.64	3.7995/3.8005	7250/7275	1132.5/1132.8

Amex notes on Monday's market					
The USD/BDT rates moved down and were stable at 50.9-51.11 level. Call rates moved up to 6.5 per cent levels. The government accepted T-bills worth Tk 2047 crore against a maturity of Tk 1470 crore.					
The dollar was stuck around 102.50 yen in late-afternoon trade on Monday, giving up some of its earlier gains as expectations of a Japanese recovery remained unshaken by a softer-than-expected Tankan sentiment survey. Traders attributed the dollar's initial gains mainly to the Tankan's downward revision in capital spending plans by large manufacturers. Large firms indicated that they planned to slash their new capital spending by 10.8 per cent in the fiscal year to next March compared with last year, while the median of economists' forecasts pointed to a decline of 9.0 per cent. But spending plans by small firms showed notable improvement. After the Tankan's release, senior Ministry of Finance official Zembai Mizoguchi said the yen was still too strong against the dollar and the euro since the Japanese economy has not entered self-sustaining recovery.					
Sentiment toward the euro was grim after weak German October retail sales, which fell a real 0.9 per cent from the previous year. The euro was quoted at \$ 1.0131/35, compared with \$ 1.0125 in late New York trading on Friday.					
Sterling has been mostly range-bound, moving within 1.6215-1.6247 level in Tokyo and early Europe trading.					
At GMT 9:00, exchange rates of major currencies against USD were GBP/USD 1.6238/1.6248, USD/CHF 1.5782/5786, USD/JPY 102.50/102.60, EUR/USD 1.0137/1.0140.					

Emerging market investors eye Venezuela, Argentina

NEW YORK, Dec 13: Emerging market investors said they will split their focus this week between Argentina, where they hope to see progress toward a 2000 budget, and Venezuela, where Wednesday's referendum on a new constitution is seen as a harbinger of both good news and bad, reports Reuters.

"On one hand, you have a constitution that has its limitations. On the other hand, a 'no' vote would significantly increase uncertainty and political instability," said Mohammed El-Erian, chief emerging markets portfolio manager at Pacific Investment Management Co.

Investors are concerned the document, written by supporters of maverick President Hugo Chavez, will lock the country into too much social spending while blocking privatisation of state assets.

"President Chavez has proven to be unpredictable at times and certainly does not like to hear 'no' for an answer. So a 'no' vote could spark some fiery political tensions," said Michael Henry, economist for Latin America at ING Barings.

Cavez, whose diatribes against political foes have included describing them as "rancid oligarchs" who "squabble like pigs," denied Friday that his tough talks was dividing the country ahead of the referendum.

"There might be a minor uptick in Venezuelan bonds if the vote goes smoothly, but I still think Venezuela is capped," Henry said.

"You would think that, with oil prices as high as they are, Venezuelan bonds would be on fire," Henry said, referring to the key role played by oil exports in the country's economy.

"But Venezuela's government has not shown much of anything in the way of economic policy. So any rally will be constrained," Henry said.

Scott Grimberg, and emerging markets fixed-income strategist at Miller Tabak Roberts Securities, was even less optimistic.

"I expect the new constitution will be passed by more than two-thirds of the vote, which means the market will start trending weaker with people more and more suspicious about Venezuela's medium-and long-term prospects," Grimberg said.

Further south, with Friday's swearing-in of Fernando de la Rúa as president of Argentina, the spotlight will shine squarely on the conflict festering over the country's 2000 budget.

De la Rúa of the centre-left Alliance took over as Argentina's president Friday, recriminating outgoing leader Carlos Menem for corruption scandals, social problems and a budget he said was in disarray.

Despite Menem's achievements in modernising the economy, de la Rúa blamed him for leaving a fiscal deficit seen at \$5.8 billion this year, or 2 per cent of the economy, and failing to get the 2000 budget approved before stepping down.

Incoming Economy Minister Jose Luis Machinea has apologised in advance to the country for a planned \$2.2 billion package of tax increases to try to meet a 2000 fiscal deficit target of \$4.5 billion, as agreed with the International Monetary Fund.

"I want to see them get their tax increases approved as well as the revenue-sharing agreement between the federal government and the provinces. It's in the best interest of people on both sides — both the Peronists and the Alliance members — to get this legislation passed," said Steven Merrell, who manages \$600 million in emerging markets debt for American Express Financial Advisors.

S Arabian budget deficit slashed to \$2.7b

RIYADH, Dec 13: Oil price rises have slashed the Saudi budget deficit for 1999 to 2.7 billion dollars, down from a government projection of 11.8 billion dollars, Saudi British Bank said in a report published Saturday, reports AFP.



Prof MA Mannan, Founder Chairman of SIBL, inaugurates the bank's 12th branch at Khatungonj, Chittagong Sunday. Prof M Azhar Uddin, Ex-Member, PSC and Chairman, Shariah Board of SIBL, Mohd. Shah Alam and Alhaj Nasiruddin, Directors, SIBL and M. Shahjahan Mantu, Dy. Managing Director, are also seen in the picture. — SIBL photo

Syrians hope for modernisation of economy

DAMASCUS, Dec 13: Syria's search for peace with Israel may look deadlocked but there are signs of life in its desire to modernise its economy, reports Reuters.

From plans to introduce mobile phones and the Internet to a renewed focus on the economy by the leadership, Syria appears to have made the decision that economic reform can — and must — be carried out regardless of progress on ending the Arab-Israeli conflict.

"There is no doubt the government recognises the need for an economic policy separate from the political situation the government is immersed in," said a senior business figure.

"There is a general recognition of that by the top leadership," Syrian President Hafez Assad has not abandoned making peace with Israel — he is believed to devote most of his time to it. But since initial optimism in Damascus after the election of Israeli Prime Minister Ehud Barak last May, the stalemate in efforts to resume negotiations has induced a return to

pessimism about any early breakthrough.

Syria on Friday urged Barak to turn his words of peace into deeds when he resumes talks with Syria in Washington next week after a 45-month break.

With Syria's economy suffering the twin blows earlier this year of low prices for its oil exports and the worst drought in decades, Assad has called for new efforts to reform an economy that still suffers from the straight jacket of Soviet-style central planning.

Western diplomats are sceptical, saying there are few if any signs of the fundamental reform they believe is necessary to revive an economy that Western analysts believe contracted in 1998 and is struggling this year.

Assad has tended to react to economic problems rather than maintain the focus he has on the Arab-Israeli conflict and this time may be no different.

When he took office in 1970 he modernised some socialist excesses of the previous decade and growth reached 10 per cent a year. But it took an economic crisis in the 1980s to trigger fresh reforms, which led to a 1991 law to attract foreign investment. Those last reforms, as Assad himself said, now need new impetus.

A well-connected Syrian predicted that the long-awaited change in government, replacing one in office since 1992, would take place before early January and include new faces with expertise in the economy.

More visible to the outside world, Syria is finally embracing the Internet and mobile phones. Makram Obied, head of the state-run upgrading communications, is overseeing a programme he says will provide unlimited Internet connections by the end of next year and the start this month of a mobile phone system that will systematically cover the country.

At the Syrian Computer Society, spokesman Saadalla Agha el Kalaa was nervous about the cultural impact it will have on a traditional society but enthusiastic about the access to information Syrians will suddenly enjoy.

Kalaa, whose broad interests include teaching at university and working as a musician, has been hosting a weekly Syrian television programme about the Internet phenomenon few had ever seen.

The country will adapt quickly. Although there are now only 1,200 full Internet connections, in the Old City of Damascus, where crowds mill under Roman pillars outside the Great Mosque, a carpet seller had added an e-mail address to his card and said he planned to have an Internet site displaying his finest carpets.

Targets for reform

Syria has obvious targets for economic reform. The country is saddled with multiple exchange rates, preventing any lifting of currency controls. Without a monetary policy — and interest rates have been unchanged for about 10 years — the country would face the prospect of a run on the currency.

There is virtually no banking sector that would be recognised elsewhere. Syrians carry their money into the welcoming hands of banks lined up near the border in neighbouring Lebanon.

Some Syrians wish for a stock market, but it would invite disaster without a regulatory framework. Shares in about 16 companies trade informally but the firms have no obligation to produce more than the minimal accounts they chose to show shareholders.

It is not the problems, but the new willingness to talk about them that is producing optimism.

"There is a feeling that the economy needs a spark, needs to really create new confidence and move things ahead," said Marwan Sukkar, a private economic consultant in Damascus. "Economic reform is needed in order to energise growth."

Assad's son Bashar has been seized on as a symbol of this desire to modernise. He was thrust from training in Britain as an ophthalmologist into Syrian politics by the death in a car crash of his elder brother, who was the long-time heir apparent.

"I think Dr Bashar will put more emphasis on the economic side," said a top businessman. "He is well educated and has a clear vision of what has to be done to get Syria moving in the next century."

Strong yen hits Japan's current account surplus

TOKYO, Dec 13: Japan's current account surplus in October fell 16.7 per cent from last year as the strong yen caused exports to slip, the finance ministry said today, reports AFP.

The current account surplus, which measures the flow of goods, services and investment income and other financial transfers, totalled 1,084.8 billion yen (10.6 billion dollars).

The October fall marked the ninth consecutive month in which the surplus has fallen year-on-year.

"Since the start of this year, the current account has continued narrowing and we expect this trend will not change for the time being," a finance minister official said.

The October surplus comprised a 707.8-billion-yen surplus in trade in goods and services, a 469.3-billion-yen surplus in financial income and a deficit of 92.3 billion yen in monetary transfers.

The surplus in goods trade alone declined 14.4 per cent to 1,304.7 billion yen in the month with exports down 6.1 per cent at 3,959.5 billion yen and imports slipping 1.4 per cent to 2,654.8 billion yen.

Broken down into sectors, the value of car exports fell 13.4 per cent, office equipment shipments dropped 19.0 per cent and steel exports declined 18.5 per cent in the month.

"The strong yen