

Major Japanese firms to cut capital spending by 5.8pc

AFP, Tokyo

Japan's major firms plan to cut capital spending for the year to March 2002 by 5.8 per cent from the previous year's levels in view of global and domestic economic slump, a survey showed Friday.

The survey conducted by the Nihon Keizai Shimbun covered 97 companies.

The decline compared with a 0.3 per cent fall in a similar survey carried out by the business newspaper in April.

The daily said the new decline was a sign that many Japanese firms plan to delay their investment because of the uncertainty over economic prospects and falling profits.

The newspaper also cited the impact of the September 11 terrorist attacks in the United States on the global economy.

Among major firms surveyed, NEC Corp. plans to slash capital spending by 29.8 per cent from its initial target, while Toshiba Corp., Sony Corp., Matsushita Electric Industrial Co. Ltd. and Fujitsu Ltd. are trimming their spending by 20 per cent to 45 per cent.

China sells \$1.3b non-performing loans at large discount

AFP, Beijing

China announced Thursday its first ever portfolio sale of non-performing loans (NPLs), with 10.8 billion yuan (1.3 billion dollars) of bad debts being taken over by an investment bank consortium at a huge discount.

China Huarong Asset Management Corp. said it would recoup approximately 21 per cent of the outstanding principal balance of the NPLs -- amounting to a 79 per cent discount to buyers -- in what could set the stage for a massive sale of a mountain of bad Chinese debt.

The consortium led by Morgan Stanley and including Lehman Brothers, Salomon Smith Barney, Zhongjin Fengde and KTH Capital Management Ltd bought four out of five pools of non-performing assets that were put up for sale on November 19.

The 10.8 billion yuan portfolio of bad debts was made up of loans by Industrial and Commercial Bank of China, one of China's four major commercial banks, to 284 borrowers in 18 Chinese cities and provinces.

Half of the amount that Huarong hopes to recoup would come in cash, while the rest would be raised in a joint venture between Huarong and the consortium to liquidate the inefficient assets.

Morgan Stanley Dean Witter Asia Ltd. vice president David Bednar said he hoped "this transaction will be a model for future non-performing loan sellers."

Bednar refused to disclose dollar amounts on Morgan Stanley's investment only saying that the investment house had made a "significant commitment."

Moody's upgrades ROK ratings

AFP, Seoul

Moody's Investors Service on Friday changed its outlook on South Korea's sovereign debt ratings to positive from stable, adding upward momentum to stock prices here.

The move affected South Korea's Baa2 long-term foreign currency country ceiling, Baa3 foreign currency country ceiling for bank deposits and Prime-3 short-term foreign currency country ceiling.

"Moody's noted that the change in outlook for foreign currency ratings is primarily supported by the exceptional strength of Korea's external payments position," the New York-based credit risk analyst said.

"Moody's considers that a realization of the government's renewed intention to advance corporate and financial reforms will also be a key determinant of the future path of South Korea's ratings," it said.

The Ministry of Finance and Economy welcomed the move. A ministry official said a Moody's delegation would visit South Korea in February to review the possibility of upgrading the sovereign ratings.

The Moody's statement helped push stock prices higher. The benchmark index in Seoul rose 2.5 per cent to hover around 644 points in morning trade.

"Moody's upgrade and Wall Street's positive response to favourable macroeconomic data have turned foreign investors into net buyers again," Tongyang Securities analyst Kim Joo-Hyeon said.

Bank Asia takes over Bangladesh operation of Pak Muslim Bank

STAR BUSINESS REPORT

Bank Asia, a local private commercial bank, yesterday took over the Bangladesh operation of Muslim Commercial Bank Limited of Pakistan.

An agreement on sale and purchase of the assets and liabilities was also signed between Bank Asia and Muslim Commercial Bank (MCB). Syed Anisul Huq, Managing Director of Bank Asia, and Shafiq A Khan, Head of Operations of MCB, signed the deal on behalf of their respective sides.

"We had to work hard to reach a consensus in the past two months. However, the acquisition process will be completed within the next two weeks," said M Syeduzzaman, Chairman of Bank Asia, at the signing ceremony at Sonargaon Hotel in the city.

Acquisition of local operation of Scotiabank, one of the largest banks in Canada, by Bank Asia in early February this year is considered a landmark in the development of the country's banking sector, said Syeduzzaman. "And second acquisition of local operation of another foreign bank has also been done by Bank Asia".

A Rouf Chowdhury, Vice Chairman of Bank Asia, and Anisur Rahman Sinha, Director of the bank, among others, attended the function.

Speaking on the occasion, Shafiq A Khan, Head of Operations of MCB, said MCB was making 15 per cent return on equity on an average since its commencement in Bangladesh.

Muslim Commercial Bank started its operation in Bangladesh in 1994 with two branches and a booth. All 54 local employees working in MCB will be absorbed in Bank Asia.

Bank Asia will undertake the responsibility of all deposit liabilities and acquire the rights to the entire local portfolio of MCB. The MCB branches in Dhaka and Chittagong will become branches of Bank Asia, said a statement issued by the Bank Asia.

The branches and booth at Banani in the city will continue to operate from the respective existing premises as usual and the clients will continue to enjoy the same services and facilities as before with full protection to their rights and interests for mutual benefits.

Bank Asia launched its operations in November 1999. The bank has built up a deposit of Tk 320 crore with a loan portfolio of Tk 259 crore with seven branches including a rural one. The bank, which has around 275 employees, is a member of SWIFT. It also provides ATM services, and has arranged syndicated credit facilities to some large projects as lead arranger.



Syed Anisul Huq, Managing Director of Bank Asia, and Shafiq A Khan, Head of Operations of Muslim Commercial Bank of Pakistan, yesterday in the city sign a deal on acquisition of Bangladesh operation of MCB by Bank Asia as other officials, including Bank Asia Chairman M Syeduzzaman, look on.

Three-day ADB-OECD meet ends in Tokyo Bangladesh, 16 other Asian nations adopt plan to fight corruption

AFP, Tokyo

Seventeen Asian nations adopted a legally non-binding plan Friday to fight corruption, which they said was widespread in the region and hampered economic growth and poverty reduction efforts.

The plan advocates civil service, private business and public awareness action designed to help halt the supply and demand for bribery in publicly funded projects.

Implementation of the plan is to be reviewed at annual meetings, to which each signatory government in the region is to report on their progress.

The agreement came at the end of a three-day anti-corruption conference, the third annual such meeting held by the Asian

Development Bank (ADB) and the Organisation for Economic Co-operation and Development.

"Corruption imposes a costly burden on businesses, with negative implications on growth and the creation of jobs," Shoji Nishimoto, the director of the ADB's strategy and policy department told reporters at the end of the gathering.

"Governments must act against corruption to promote growth and development," he said.

He added countries that adopt the anti-corruption plan were likely to get favourable treatment when it comes to allocating ADB assistance.

Mark Pieth, president of the OECD's working group on bribery in international business transactions, said the annual scale of corruption equalled the illicit drug trade.

Pieth said its elimination would help fight terrorist groups that thrive on such transactions.

"If we can reduce corruption, we can reduce the likelihood of terrorism," he said.

The countries that endorsed the action plan are Bangladesh, the Cook Islands, Fiji, India, Indonesia, Japan, South Korea, the Kyrgyz Republic, Malaysia, Mongolia, Nepal, Pakistan, Papua New Guinea, the Philippines, Samoa, Singapore and Vanuatu.

China, where corruption at all levels of government is a problem, and which earlier this month was accepted into the World Trade Organization after a 15-year struggle, did not attend the meeting, which officials said was due to logistical problems.

A Japanese Foreign Ministry official shrugged off China's absence.

"It's not an all-or-nothing deal," the official said. "It would have been better if China had come, but it is not as if we would have been better off not holding the conference at all," without China, he said.

Nishimoto said the ADB and OECD would try to obtain China's approval of the agreement soon. "I have no doubt as to the strength of commitment that the Chinese government has in the effort to prevent corruption and bribery and to take action accordingly," he said.

Six other nations -- Cambodia, Kazakhstan, Laos, New Zealand, Thailand and Vietnam -- withheld their approval, but officials said they expressed support for the measures and were likely to sign on soon.



The STAR light rail transit (LRT) train moves through the heart of Kuala Lumpur Friday. The Malaysian government yesterday completed the takeover of STAR and another light railway operator, PUTRA, in its largest ever restructuring exercise. The government issued bonds worth 5.46 billion ringgit (1.4 billion USD) to creditors of the two companies as a "debt replacement". The railway networks are to be leased back to the private firms to operate. The deal is part of plans to resuscitate the public transport system in the traffic-clogged city.

HK revises growth forecast for this year to zero

AFP, Hong Kong

Hong Kong's economy shrank 0.3 per cent in the third quarter from a year earlier, prompting the government Friday to slash its economic growth forecast for this year to zero.

Third quarter gross domestic product (GDP) rose 0.4 per cent

from the second quarter, the government said.

It said the downturn, after a rise of 0.8 per cent from the year before in the second quarter -- revised from an earlier estimate of 0.5 per cent -- reflected a "more difficult external environment and with local sentiment also hit by a further weakening

in the asset markets and rising unemployment."

The government said the cut in the full year forecast from 1.0 per cent was made against the backdrop of the difficult outlook, compounded by the fallout from the September 11 terrorist attacks on the United States.

US jobless claims surge

AFP, Washington

The queue of people making new claims for jobless benefits surged 54,000 to 488,000 last week, the government said Thursday, reversing four weeks of declines.

The number of people already claiming unemployment benefits for at least two weeks hit a 19-year high of more than four million, the Labor Department figures showed.

The rise in initial claims in the week to November 24 was sharper than had been expected by Wall Street, where economists had been forecasting an increase of 16,000.

In raw figures, new claims rose 13,283 to 434,662.

The number of fresh applications surged after the economy took a hit on September 11 from suicide attacks that toppled New York's World Trade Center and killed thousands.

But the figures had been easing off since. The latest rise reversed four straight weekly declines.

A Labor Department spokeswoman said the figures were more volatile in holidays as many people delayed making claims. This year's Thanksgiving holiday fell on November 22.

A four-week moving average of initial jobless claims declined 2,000 to 454,000 in the week to November 24 -- the lowest average since the week ended September 22.

In the previous week to November 17, the number of people making claims for two weeks or more surged 301,000 to 4.02 million -- the highest figure since December 1982.

Initial jobless claims for that week fell a revised 8,000 to 434,000, compared with the initial estimate of a decline of 15,000 to 427,000.

Turkish economy shrinks by 8.3pc in nine months

AFP, Ankara

The Turkish economy contracted by 8.3 per cent in the first nine months of 2001 from the equivalent figure last year following two severe crises in November last year and February this year, the state statistics institute said Friday.

In the third quarter alone, gross national product fell by 8.5 per cent compared to the same period last year, the institute said.

In the first half of 2001, the economy had shrunk by 8.5 per cent.

Crisis in the banking sector forced the government in February to abandon a pegged exchange regime, causing the lira to tumble against the dollar.

Since then, the Turkish currency has lost more than half of its value against the dollar and interest rates have soared, dragging the economy into a recession.

To put the battered economy on track, the government has begun implementing a tough program of reforms, which received multi-billion-dollar support from the IMF and the World Bank on condition that the reforms are strictly implemented.

Turkey expects the economy to shrink by 7.5 to 8.0 per cent this year and then to achieve four-per cent growth in 2002.

In December, Turkey is expected to begin negotiations with the IMF for a new stand-by deal in return for fresh loans to close a financial gap of 10 billion dollars (11.36 billion euros) amid a global economic recession after the September 11 terrorist attacks in the United States.

Dollar edges higher in Tokyo

AFP, Tokyo

The dollar edged up against the yen in Tokyo Friday but its gains were limited due to concerns over the US economy after news of the expected collapse of energy giant Enron Corp., brokers said.

The greenback was quoted at 123.97-123.99 yen at 5:00 pm (0800 GMT), up from 123.77 in New York and 123.13-16 in Tokyo late Thursday.

"Investors bought the dollar and sold the yen due to bad unemployment figures in Japan, but the rise (in the dollar) was limited as investors were worried over the US economy after (news of) Enron's (expected) collapse," said Naoya Murata, dealer at Sanwa Bank.

Enron is likely headed for the biggest bankruptcy in United States history after ratings agencies Standard and Poor's and Moody's Investors Service cut the gas trading giant's credit rating to junk bond status and a rival energy firm walked away from a merger deal on Wednesday.

"Enron's collapse would have a staggering impact on the US economy and investors are very reluctant to buy the dollar right now," Murata said.

US pledges to conclude free trade deal with S'pore in '02

AFP, Washington

The United States has "every intention" of moving swiftly to conclude next year a long-delayed free trade deal with Singapore -- the first such pact with an Asian state, a top US official said Thursday.

Deputy US Trade Representative Jon Huntsman said that negotiations on the deal have been going well, but conceded that differences persisted in some areas. The next round of talks is set for January.

"The process will play out through the first quarter of the year," Huntsman, a former US ambassador to Singapore, told an Asia Society audience of businessmen and policymakers.

The United States hopes the

pact will be concluded by the second half of 2002, he said.

"We have every intention of completing it as soon as possible."

The groundbreaking US-Singapore free trade accord was first mooted by Singapore Prime Minister Goh Chok Tong and then US President Bill Clinton in November 2000 at the Asia-Pacific summit in Brunei.

But hopes the deal could be swiftly concluded before Clinton left office in January were dashed, and the subsequent Bush administration diverted most of its attention to a campaign to secure trade promotion authority from Congress.

Several issues, including financial services, are understood to be blocking the swift conclusion of the deal.

US service industries have been lobbying Singapore to remove the limit on American banks allowed to operate with full bank licenses and allow American card issuers to have access to the automatic teller machine networks of domestic banks.

The tiny but affluent Southeast Asian island republic is also negotiating FTAs with a host of other countries, including Japan and Australia, after concluding a deal with New Zealand last year.

Both Singapore and the United States have stressed their proposed accord will not undermine the World Trade Organization after some critics said such deals could include bilateral clauses that clash with multilateral commitments.

Record jobless rate adds to Japan's economic blues

REUTERS, Tokyo

Japan said yesterday its unemployment rate rose to a record 5.4 per cent in October while consumer prices continued to slide, yet more bad news for policymakers desperate to keep the giant economy afloat.

Data showed average spending by wage-earning households rose a real 1.6 per cent in October from a year earlier, the first rise in seven months, but the government said the gain was due to special factors such as the timing of school payments.

While evidence of sluggishness in the world's second-biggest economy is nothing new, the politically sensitive jobless figure highlights the challenges facing Prime Minister Junichiro Koizumi, who has pledged painful but vital reforms.

"The employment situation is severe. The 5.4 per cent jobless rate is harsh," Finance Minister Masajuro Shiokawa said.

The unemployment rate among men surged to 5.8 per cent in October from 5.4 per cent in September as full-time, middle-aged workers lost jobs in an economy rife with bankruptcies and

corporate restructuring.

GDP figures to be released next week are almost certain to show that Japan has joined the United States in recession.

The jobless rate for women slipped to 4.8 per cent from a record 5.2 per cent in September. But that improvement was mainly because more women were working part-time or on short-term contracts, officials said.

Overall, the number of unemployed rose for the seventh straight month to 3.52 million. This was 380,000 more than in October last year, the Ministry of Public Management, Home Affairs, Post and Telecommunications said.

"The jobless rate could eventually rise to near six percent. I think the worsening trend will continue until the middle of next fiscal year (that starts in April)," said Tsurukazu Nakamura, economist at Fuji Research Institute.

Unemployment has become a major headache for policymakers as Koizumi strives to forge ahead with planned structural reforms that promise yet more bankruptcies and job losses.

The government allocated some

550 billion yen (\$4.44 billion) for job steps in a recently enacted extra budget for the current fiscal year.

"In the near term, we must focus on implementing job safety net measures. But over the longer term, we must take steps to strengthen the economy and create jobs," said Trade Minister Takeo Hiranuma.

"Should current economic conditions persist, there is a possibility of a further rise (in the jobless rate)," he added.

Japan, once known for its lifetime employment system, had long enjoyed lower jobless rates than other industrialised countries, but more people have lost jobs in recent years as firms adopt aggressive restructuring plans. Unemployment here is now running neck-and-neck with that in the United States, which also reported a rise to 5.4 per cent in October joblessness.

Credit research firm Tokyo Shoko Research said 1,804 companies went bankrupt in October, affecting 19,550 workers.

Most economists expect the economy to contract again in July-September for a second straight quarter, thus meeting the common definition of recession.

Indian auto industry asks govt to revamp tax system

Bid to help sector weather global slowdown

AFP, New Delhi

India's automobile industry on Friday urged the government to revamp the country's tax system to help it ride out the weak global economy.

R. Seshayee, president of auto industry lobby group the Society of Indian Automobile Manufacturers (SIAM), told a conference gloomy economic conditions were putting the brakes on vehicle sales.

"The Indian industry is facing challenging times with environmental imperatives, safety requirements and added competitive pressures," said Seshayee.

"We urge the government to remove internal impediments and carry out necessary tax reforms like coming out with a well-designed value-added tax programme."

D.K. Join of the Automotive Component Manufacturers

Association said the "trickle-down" impact of the global slowdown had made demand dry up for small- and medium-sized Indian firms manufacturing car parts.

"Demand for car components has fallen by at least four-six per cent this year. Most car component makers are staring at large inventories and stock pileups," said Jain. "We need a tax reprieve."

Seshayee told the conference the Indian auto industry was pinning its export hopes on an eight-day auto exposition it was organising with the Confederation of Indian Industry in New Delhi on January 15-22.

"After the September 11 terror attacks in the US foreign buyers have cut down on their regular visits to India. We are hoping this will change at the upcoming New Delhi auto exposition," said Seshayee. "The car fair will provide an

effective business-to-business platform for Indian firms and foreign buyers," he added.

SIAM said 20 major car-producing countries including the United States, Japan, Britain, Germany and South Korea have confirmed participation in the New Delhi car show.

Media reports indicate most US car makers are planning production cuts following the September 11 attacks.

The global automobile sector downside has also affected local demand in India.

Indian car makers Tata Engineering and Ashok Leyland have embarked on major cost-cutting since last year, including job cuts and increased use of local spare parts.