House body seeks money for useless arms to keep industry alive

WASHINGTON, Feb 13: The Chairman of the Armed Services Committee in the House of Representatives has proposed spending some money on unneeded weapons to keep parts of the US defence industry alive, reports UNB.

Rep. Les Aspin criticised the Bush administration policy of letting the market decide the fate of scores of defence manufacturers in the post-Cold War era.

Aspin contends that a free market does not exist in the defence industry, where job layoffs are expected nationwide after the pentagon decision to curb or cancel several major weapons systems.

"If we continue with business as usual, we soon won't be doing much business at all," Aspin said on Wednesday in a speech to the American Defence Preparedness Association.

General Dynamics Corp recently announced the first of as many as 4,000 layoffs expected at its Electric Boat Division in Groton, Conn. because of the cancellation of the Seawolf submarine programme.

House body rejects Bush's tax plan

WASHINGTON, Feb 13: The US House ways and Means Committee Thursday rejected President Bush's tax plan, clearing the way for Democrats to write their own bill.

By a 23-13 party-line vote that followed 90 minutes of bitter political exchanges, the committee defeated a last-minute Republican plan to slim down Bush's proposals.

Democrats plan to write a tax bill that would target relief on wage-earners, paying for it with higher taxes on the wealthy.

After outlining the full programme in his State of the Union speech, Bush on Tuesday agreed to split up his proposals so some could be put into effect by his March 20 deadline.

But Democrats quickly moved to make sure that Bush's full plan with its tax increases and spending cuts — was not lost in the shuffle. They plan to keep the Bush bill under consideration so they will have something to contrast with their own middle-income tax reductions.

Soviet exporters kept $ 14 billion abroad in 1991

WASHINGTON, Feb 13: State-owned exporters in the former Soviet Union managed to keep about 14 billion dollar abroad last year despite government efforts to get hold of much-needed cash, an international banking group estimated Wednesday, reports AP.

New policies and conditions may cut in half this "capital flight" from former Soviet states this year but obstacles remain, says the report by the Institute of International Finance.

The institute gathers information for 175 member banks and other institutions. It normally does not release its country reports, but said "exceptional circumstances call for exceptional responses".

An official Russian requirement "continues to offer enterprises significant incentive to keep earnings abroad," the report says. This is a rule that exporters must cash in 40 per cent of their earnings at an exchange rate that is half the commercial rate of 110 ruble to the dollar.

Enterprises throughout the old Soviet Union held back some of the income from foreign sales of oil, gas and other Soviet goods. The Soviet government was using ruble exchange rates that averaged 1.7 ruble for a US dollar when the commercial rate was over 100 ruble to the dollar, the report said.

LC margin for import waived

India plans to sell 49 pc of state firms

NEW DELHI, Feb 13: State-owned firms can sell off up to 49 per cent of their equity as part of an Indian government plan to privatise the public sector, Chairman of the Standing Committee on Public Enterprises (SCOPE), Moosa Raza said, reports Reuter.

"We can safely go up to 49 per cent disinvestment in public sector undertakings," Raza told Reuters.

"It does not require any policy change, because with 51 per cent equity in companies, management still remains with the government," Raza said. "There is no danger of takeovers".

SCOPE, which monitors enterprises owned by the central government, has identified 244 companies as fit for disinvestment and restructuring.

Of these, 58 are chronic money-losers, and the rest are making profits, all though in some cases the margins are small.

"SCOPE is worried that if a proper restructuring of these units is not done in time, some may fall sick," Raza said.

The government's 1991/92 budget ending on March 31 proposed selling off 20 per cent of the share in selected public sector firms — which have so far not been publicly identified.

"I hope the 20 per cent is gradually raised," Raza said.

"Money raised through disinvestment could be ploughed back into public sector units to modernise them," Raza said.

If 49 per cent of a public firm's equity is sold to the public, its management board would need to be restructured to bring in its professionals, Raza said.

Public sector managers are often engineers and technocrats who have worked their way up. Some are political appointees or career bureaucrats drawn from the ranks of the Indian administrative service.

Raza said the major problem in restructuring would be the rehabilitation of displaced workers.

"In India, labour is a sacred cow. In fact, many sick units in the private sector had to be taken over only to protect jobs," Raza said.

The proposed overhaul of the public sector has been hotly debated for months. The government has recently held talks with public sector managers and trade union leaders on what to do with the 58 loss-making units which employ 400,000 workers.

Restructuring the firms and compensating workers would cost at least 60 billion rupee, a recent government report said.

Last week the government set up a National Renewal Fund (NRF) to retain and compensate workers, and allocated it two billion rupee, which is expected to swell with contributions from state governments.

Government subsidies, price controls, and a protective import regime will have to be abolished in order to create a competitive climate for privatisation, Raza said.

Burdened by a 71 billion dollar foreign debt, India last year borrowed four billion dollar from the International Monetary Fund and began initiating such reforms to cope with a severe balance of payments crisis.

An earlier report from Bombay said: The Reserve Bank of India (RBI) said it has withdrawn with immediate effect the minimum cash margin of 25 per cent that importers had to deposit with banks for opening Letters of Credit, reports Reuter.

RBI Governor S Venkitaramanan told a business seminar here that banks had been advised to release to importers cash margins already deposited with them.

The central bank said a surcharge of 25 per cent on the rate of interest charged on import financing by banks has also been withdrawn with effect from Thursday.

Venkitaramanan said the import controls, imposed last April to cope with a severe balance of payments crisis, had hurt industrial growth. But improved foreign exchange reserves had enabled RBI to withdraw them.

RBI had slashed cash margins to 25 per cent from 150 per cent over the past two months after the World Bank approved a 500 million dollar package for India, whose foreign exchange reserves had dipped to less than a billion dollar in July.

India's foreign exchange reserves at end January were around 3.6 billion dollar.

Venkitaramanan said RBI had also recommended further changes in the Foreign Exchange Regulations Act (FERA). He did not give details of the changes suggested.

Last month RBI relaxed FERA, allowing foreign firms to use their own trade marks and to buy and sell property in India.

Another report from Delhi adds: India's industrial production declined by 0.7 per cent in the first six months of the 1991/92 fiscal year ending March 31, compared with growth of 8.6 per cent a year earlier, the government said.

The manufacturing sector was particularly hard hit, showing a decline of 1.9 per cent during the period against a growth of 13.6 per cent in the first six months of 1990/91, the Department of Economic Affairs said.

Severe import restraints, coupled with cuts in government spending, are the major reasons for stagnant industrial growth this year, economists say.

Smuggling costs Manila $ 1b a year

MANILA, Feb 13: The Philippines loses one billion dollar a year due to smuggling, a newspaper quoting a World Bank report said here Thursday, reports AFP.

The Manila Chronicle said the World Bank report partly blamed the large losses caused by smuggling on the archipelagic nature of the country, but said the government was not doing enough to stop smuggling.

The World Bank noted the customs bureau had only one patrol boat and did not have machines for cargo inspection, and estimated that only four per cent of smuggled goods were seized.

Customs bureau spokesmen said they had not yet seen the report.

Adria pipeline may reopen in March

BUDAPEST, Feb 13: The Adria oil pipeline, put out of operation by Yugoslavia's civil war last year, is technically fit and may be reopened next month, the deputy general director of the Hungarian oil and gas trust Plc (MOL) said, reports Reuter.

"We heard from many places there was no major technical obstacle to the reopening of the pipeline," Gabor Jozsef said.

"I trust the Adria will be reopened in March."

The Adria pipeline runs from the northern Adriatic to Hungary and Czechoslovakia. It was closed in September last year after a key pumping station in Croatia was taken over by Serbian-led federal forces.

The pipeline is Hungary's only alternative oil import route to the friendship pipeline which linked Hungary with the former Soviet Union.

Jozsef said restarting the pipeline flow was a matter of political decision.

"We miss the Adria for about six months now, and we would like to have it reopened as soon as possible," Jozsef said.

To protect the continuity of domestic supply the Hungarian government ordered earlier last year that crude oil importers must establish strategical reserves equivalent to five per cent of their annual imports.

LONDON, Feb 12: Victoria Coode exhibiting some of the 28,000 pieces of 17th century Chinese export porcelain shipwrecked off Vietnam three centuries ago. The Vietnamese govt has instructed Christie's to sell the cargo, which is expected to fetch 1.5 million pound, in Amsterdam April 7-8. —AFP photo

WB Treasurer to retire to form investment management company

WASHINGTON, Feb 13: World Bank Treasurer Donald Roth is stepping down at the end of this month to help form a new company that will manage investments in the developing world, the company said, reports Reuter.

Bankers Trust New York Corp (BTN) will be a partner in the new Washington-based company, Emerging Markets Corp (EMC), that will began operations in April.

World Bank Deputy Treasurer Jessica Einhorn has been tipped as the leading candidate to replace Roth.

Former World Bank Senior Vice President Moeen Qureshi and former Salomon Brothers Inc Vice Chairman Jay Higgins will join Roth as founders of the new firm.

EMC said it will undertake and manage both direct and profitable investment in developing countries. It will operate on a worldwide basis including Asia, Eastern Europe and the former Soviet Union, as well as Latin and South America.

"We want to create a niche as a firm solely focussed on emerging markets, Roth, said.

Cuba redistributes workers among production sectors

HAVANA Feb 13: The Cuban government has laid off 70 000 mid-level state workers in past few weeks as part of an effort to "streamline government agencies, according to reports here Wednesday, says AFP.

The Communist Party newspaper Granma announced Wednesday that the Agriculture Ministry had laid off 22,5000 workers, some 52 per cent of its total payroll. The newspaper said 15,000 had been found new jobs.

This followed an announcement Saturday that 49,776 but that the government had found new employment for nearly all of the affected workers. A total of 25,350 bureaucrats were found work cultivating farmland.

The job cuts, Granma said, "respond to the need to reinforce fundamental production units, eliminate the intermediary levels and streamline the administrative superstructure."

Other ministries took similar steps. Cuban sources said that the Foreign Trade Ministry cut 1,200 jobs and that between 450 and 600 people employed by the Foreign Ministry had been let go, about half of its total employees.

Thus far, the communist party central committee had been untouched, the sources said.

In most cases, the laid-off workers were offered new work, sector of the economy. Those who refuse receive unemployment compensation equal to 60 per cent of their salary.

OPEC may not reach $ 21 mark

GENEVA, Feb 13: Saudi Arabia appears to be steering OPEC to an oil output cutting deal to arrest the current price slide, but not enough to prop them up to the group's target of 21 dollar a barrel, delegates and oil analysts said, reports Reuter.

Saudi Oil Minister Hisham Nazer, whose views are crucial for what direction OPEC would take to prevent a sharp fall in oil prices next spring, wants OPEC to cut production by between five to six per cent from the current level of around 24.2 million, a senior Arab official told Reuter.

"He has no specific plan. He is waiting for other ministers to come out with theirs" said the official who took part in some of the bilaterals currently underway between ministers who postponed a formal session until further notice on Wednesday.

"Nazer believes a cut of between 1.2 million to 1.5 million BPD is enough to stabilise prices. Perhaps he would like to see a slight increase in prices, but not too sharp" he said.

"He would be happy with a range of 18 to 19 dollar a barrel for OPEC oil this year," he added.

The OPEC basket price of seven crudes is currently around four dollar below the group's 21 dollar target.

Many oil analysts, in Geneva to observe the OPEC talks, said anything less than a 1.5 million BPD reduction would send a wrong signal to a sceptical market already saturated with oil.

"The prices have gained 1.50 dollar per barrel in anticipation of a cut. Anything less than 1.5 million BPD would be seen as insufficient to support prices" Bahman Karbassioun, an independent energy consultant said.

"A cut of 1.5 million BPD would be enough to keep prices as they are now, but would not achieve 21 dollar" a Gulf Arab delegate agreed.

Iran, calling for urgent action to prop up prices to 21 dollar, wants OPEC to immediately slash output by seven to 11 to per cent to between 22 million to 22.5 million BPD. Its Oil Minister Gholamreza Aqazadeh said. Iranian delegates later said that Iran sees a compromise of 22.5 million BPD.

Had aiding CIS been an Olympic event Germany would get gold

MOSCOW, Feb 13: If aiding the former Soviet Union were an Olympic event, Germany would win the gold medal hands down and the United States might not even get the bronze, reports AP.

This week the United States launched a 78 million dollar airlift of food and medical supplies to its former Cold War adversary. But the United States still lags far behind in the aid race.

American pledges to the new Commonwealth of Independent States now total about 5 billion dollar or one-ninth of the 45 billion dollar in aid that Germany offered in 1990-91.

Foreign donors estimate they have pledged or given a total of about 80 billion dollar to the former Soviet Union. Russian officials say they cannot keep a precise count, because the aid is in the form of credits, food and goods ranging from shoes to wheelchairs.

It is clear, however, that Germany has been the single most generous donor, partly out of gratitude for the Soviet Union's support for the unification of East and West Germany last year.

Freeing rice trade may cost Miyazawa dear

TOKYO, Feb 13: Japanese Prime Minister Kiichi Miyazawa, reeling from a by-election defeat, is now under attack for his government's moves to ease a longstanding band on foreign rice imports, reports Reuter.

Critics in the ruling Liberal Democratic Party (LDP) say farmers angry that Japan seems to be going soft on foreign demands to open up its rice market, look set to rebel against the Conservative Party in two March by-elections causing turmoil ahead on national upper house elections in July.

A growing number of LDP politicians, many of them from Rice-growing regions, are very concerned that farmers will desert the party.... next month and even in July because of what they see as government moves to allow in foreign rice, said an LDP headquarters officials.

Because of the pressure, LDP executives meeting on Wednesday decided to ask legislators to refrain from commenting on rice market liberalisation at this delicate time, he said.

Another despatch adds from Tokyo: Japan may lose 770,000 jobs if it allows rice imports under a system proposed by the world trade body GATT, an academic groups said in a statement.

"An inter-industry analysis shows that the output of the nation's industries will fall by 5.18 trillion yen in value (from a total of some 300 trillion yen), resulting in 770,000 people losing their jobs," said the rice policy study group, a group of economics and political science professors. According to government data, employment totals about 63 million dollar here.

If you wear your resume, then you get job calls!

ATLANTA, Feb 13: A frustrated job seeker who took to the streets wearing his enlarged resume on a sandwich sign was overwhelmed Wednesday with offers to interview for work, reports AP.

Pete Condon said he received 15 calls on his answering machine one day after he advertised himself in downtown Atlanta's rush hour traffic.

"I'm quite satisfied," Condon said. "I'd say most definitely I will get a job from this."

Condon said he hasn't been able to find a decent-paying job in his field since he graduated in 1989 from the University of Georgia with a middle-of-the-road grade point average. He has been trying to make a living as a valet parking cars.

On Tuesday, he put on his long underwear, covered it with a navy blue Brooks Brothers suit, left the suburban apartment he shares with two roommates and traveled to Atlanta.

Sagawa Kyubin office raided on bribery charge

TOKYO, Feb 13: Japanese public prosecutors raided offices of a big trucking firm Thursday in the first official attempt to uncover what political sources say could turn into another huge political bribery scandal, NHK Television said, reports Reuter.

Tokyo Sagawa Kyubin, Japan's second largest trucking firm, is believed to have paid out at least 500 billion yen (four billion dollar) in improper direct, indirect and guaranteed loans.

Around 100 billion yen (800 million dollar) of this went to gangster-linked companies, according to group spokesmen, while unconfirmed reports say other funds were used to pay off more than 200 politicians in both government and opposition.

The raids which NHK said were carried out on a number of offices in Tokyo and elsewhere, followed charges stemming from a breach of trust claim filed by Tokyo Sagawa Kyubin, an affiliate of the Yoto based parent company Sagawa Kyubin, against two former executives.

Last July, the Tokyo company fired the two men, President Hiroyasu Watanabe and General Manager Jun Saotome, and filed legal complaints against them.

The mid-morning raid came as no surprise all major Tokyo dailies announced it in advance.

WB MD urges rich to free market for LDC products

CARTEGENA, Feb 13: The World Bank's Attila Karaosmanoglu urged wealthy industrialized nations today to do more to help developing countries in a speech at the UN Conference on Trade and Development (UNCTAD), reports AFP.

Saying that "a billion people still live in abject poverty," Karaosmanoglu urged industrialized nations to allow poor countries more access to their markets, to use market mechanisms to manage the risk of selling primary products and to help finance appropriate development strategies.

An UNCTAD report released Tuesday said that the poorest countries of the world had been getting poorer over the past 10 years while development assistance as a percentage of Gross National Product (GNP) dropped from 0.09 per cent in the 1980s to 0.08 per cent in 1990.

"It is regrettable that development assistance by many large nations represents a reduced or stagnant percentage of their GNP," said Karaosmanoglu, one of three World Bank Managing Directors.

Speaking at the eighth UNCTAD Meeting, Karaosmanoglu said he hoped that General Agreement on Tariffs and Trade (GATT) talks would succeed because any failure would delay obtaining necessary advantages.

"Nothing is more important now than to reach an agreement that benefits all sides," he said.

Karaosmanoglu outlined the difficulties that confronted the world in the 1990s, emphasizing "war, sickness, hunger and the rapid deterioration of the environment."

"The celebration of the end of the Cold War has been muffled by the Gulf War and local and regional tensions," he added.

Saying that the 1990s "offered great opportunities, the World Bank official added, "it is widely acknowledged that the end of the cold war could free up resources in developed and developing countries to transfer the waste from military spending to investment and development.

(See Editorial p-4)

Business briefs

Gold, platinum found in Malaysia :

Gold and platinum have been found in several areas in east Malaysia's Sah state, an official said Wednesday, reports AFP from Kuala Lampur.

David Lee, Director of Sabah's Geological Survey Department, said the discoveries were made during a recent 2.5 million Malaysian dollar (926,000 US dollar) survey, Bernama news agency reported.

Indonesian banks to meet capital needs:

Indonesia expects most of the country's banks to meet the required eight per cent capital adequacy ratios by the end of 1993, Central Bank Governor Adrianus Mooy said, reports Reuter from Jakarta.

He told a parliamentary hearing that 181 banks would have met the requirement of five per cent by next month.

BCCI owner denies corrupt deals:

Kenyan entrepreneur Ketan Somaia who took over several branches of the scandal-hit Bank of Credit and Commerce International (BCCI), has denied allegations of corrupt business deals, reports AFP from Port Louis.

The allegations were levelled against Somaia, a Kenyan Asina, during a judicial inquiry last year into the murder of former Kenyan Foreign Minister Robert Ouko.

$ 10b GCC Fund will be used to thrust privatisation

ABU DHABI, Feb 13: Wealthy Gulf states plan to withhold and issue loans as a means to pressure poor Arab countries into implementing economic reform and promoting the private sector, reports AFP.

A proposed 10-billion-dollar fund, to be supported by Gulf Cooperation Council (GCC) states, links loans to economic reforms.

"It will finance development in Arab states but the main recipient will be the private sector," said GCC Assistant Secretary General for Economic Affairs, Abdullah Al-Quwaiz.

"Any Arab country seeking a loan from the fund should be prepared for such an aid in terms of privatisation moves," he told reporters at an economic conference in Abu Dhabi last week.

Arab states likely to come under such pressure include Egypt, Syria, Morocco, Sudan, Somalia, Yemen and Jordan.

Saudi Arabia and Kuwait have pledged to pay 2.5 billion dollar each for the proposed fund while the United Arab Emirates (UAE) has promised 1.5 billion dollar, according to Quwaiz.

Kuwait, which heads the fund, will soon begin contacts with the other GCC members — Oman, Qatar and Bahrain — to secure the rest.

The fund was proposed in the wake of the Gulf crisis. Iraqi President Saddam Hussein called for the redistribution of Arab wealth at the time of Iraq's invasion of Kuwait.

Aid from the wealthy gulf countries has until now been channelled to the governments of poor Arab countries, but persistent economic problems there have triggered accusations that the funds have been misused.

Chairman of the Abu Dhabi-based Arab Monetary Fund (AMF) Osama al-Faqih said recently that Arab nations had received 377 billion dollar in loans and aid over the past 20 years.

"These immense funds have not produced the desired results concerning development in the Arab region" he said. This is because many of the Arab aid recipients have not adopted the right policies in exploiting and managing the funds."

The AMF has set up its own fund to aid Arab countries carrying out reforms, Faqih added.

He said 600 million dollar had been earmarked for the fund, which would have a loan timetable of three years.

These resources will be available to Arab countries wishing to implement reform programmes he told reporters in Qatar Monday.

GCC states are the main subscribers to the pan-Arab AMF, which has extended 2.5 billion dollar in loans to its members since it was created by the Arab League in 1976.

The AMF was set up primarily to help Arab nations tackle their balance of payment deficits, but misuse of the funds has exacerbated the problem.

A part from the balance of payment difficulties Arab states suffer from heavy debts budget deficits, slow growth and declining revenues — shortcomings aggravated by the Gulf War.

Most of them have announced reforms but the process has been slow and their debts rose to about 150 billion dollar in 1990 from 142 billion dollar in 1989.

Without privatisation and other reforms money will remain useless in tackling Arab economic woes, a Gulf economist warned.

Faqih said Arab states had no choice but to adopt methods from free market economies in the wake of the collapse of communism worldwide.

He said Arab nations, many of which have followed a socialist system, should present clear economic programmes if they want aid from the AMF and other Arab League bodies.

Our tendency now is to support Arab countries which have embarked or intend to embark of economic reforms, he explained.

Faqih urged Arab states without stock markets to set up financial trading floors and said the AMF had sought help from the World Bank to develop the existing 10 stock markets in the Arab world.

The next step is to set up a data base at the AMF to supply information to Arab and other countries about the markets and investment opportunities, he disclosed.