

Chinese body to help raise trade with India

NEW DELHI, Feb 18: The China Council for Promotion of International Trade (CCPIT) intends to cooperate with Indian businessmen to step up bilateral trade...

Govind Hari Singhania blamed lack of direct banking relations, and poor transportation and patchy communication links between the two countries for the low two-way trade.

Polish Finance Minister quits protesting new economic plan

WARSAW, Feb 18: Poland's Finance Minister has resigned over the government's new economic policy, saying the plan that backs away from tough 'shock therapy' is too soft...

The new economic policy gives in to a key demand of farmers - to represent about a third of Poland's population - to restore state-guaranteed prices for wheat, rye and milk...

Dollar edges higher in Tokyo

TOKYO, Feb 18: The US dollar edged higher in Tokyo Tuesday despite remarks by Japanese ministers calling for a stronger yen.

The dollar closed at 127.17 yen, up 0.24 yen from Monday's close. After opening at 127.07 yen, it ranged between 126.60 yen and 127.20 yen.

Traders bought dollar in the morning in small lots to cover short positions a day after concerted intervention by Japanese and US banks in Tokyo that hammered the dollar down.

Indian stocks boom following economic reforms

BOMBAY, Feb 18: Indian stock markets, enjoying an unprecedented boom triggered by last year's economic reforms, will continue to be bullish on hopes of a liberal fiscal budget due on February 29...

They expect the budget for the 1992-93 financial year ending March 31, to offer major cuts in import and excise tariffs, tax and government spending.

'Rationalisation of customs and excise levies and taxation, and serious efforts to slash subsidies are part of the measures we expect in the budget,' broker Rajendra Shah said.

Far-reaching economic reforms initiated last July, abolished most industrial licensing, relaxed foreign investment and trade rules...

The index of the Bombay Stock Exchange, largest of India's 21 bourses, ended last week at a record 2,322.79, up from 1,998.88 the previous month and 1,004.94 year ago.

The National Index closed at 1,089.80, against 928.07 a month back and 515.85 a year ago.

'There's a definite belief the liberalisation process will continue through the budget,' Shah said.

Corporate analyst VS Fernando said India's import and excise tariffs contributed to more than 60 per cent of the cost of industrial goods...

Debt-strapped India has carried out the reforms to meet conditions set by the International Monetary Fund and the World Bank from which it has borrowed around five billion dollars.

Brokers say besides lower tariffs, they also expect the wealth tax, which affects local businessmen, to be either scrapped or watered down drastically.

'It is not equitable because non-resident Indians, who are invited to invest in India, need not pay this,' Shah said.

Wealth tax rules come into force if a businessman invests more than 10 per cent in a new company, Indian businessmen, therefore, had to limit their initial holdings to less than 10 per cent...

Brokers said foreign money also aided the stocks boom. Under an amnesty scheme designed to tap unaccounted money, tax dodgers brought in 800 million dollar by routing their Indian rupee through unofficial foreign exchange deals, they said.

An official bond scheme, which closed last month, fetched 1.5 billion dollar. Holders of these deposits are allowed to raise rupee loans of up to 75 per cent of the value at 16 per cent interest.

'That was relatively cheap money. A good chunk of this flowed into stocks because the returns were high,' Shah said.

Big brokers and merchant makers also raised an estimated 500 million dollar from non-resident Indians.

Shah said the foreign cash going into stocks was looking for quick returns and could lead to a relative crash.

Another uneasy signal came from investors jumping on the bandwagon and buying stocks, without doing their homework, he said.

'It is the first sign of the boom coming to a close,' Shah said.

Sanjay Athwale, a fund manager, said he expected a technical correction but not a crash.

'The market undercurrent is very optimistic. There won't be a bust.'

Lanka plans 200 garment units

COLOMBO, Feb 18: Sri Lanka will set up 200 new garment factories in rural areas by the end of this year, generating 100,000 jobs.

'I will personally see to it that any obstacles preventing these industries from being set up are cleared up,' Premadasa told garment manufacturers at a meeting in Colombo.

He said the benefits derived from the garment industry must be felt in the rural areas.

'It is one way to ensure that terrorism doesn't have an opportunity to raise its head again,' Premadasa said, referring to a leftwing rebellion from 1988 to 1990 which left thousand dead and crippled the country's economy.

The young people joined the terrorists because they did not have jobs and because no one looked after them.

The President of the Sri Lanka apparel exporters' association, Ajitha De Costa, said the country would face a problem in finding markets for more garments in the face of the global recession.

'At the moment Sri Lanka has less than one per cent of the global apparel trade,' he said.

Special incentives have been offered for local and foreign investors to set up the new factories and added benefits for those who go into areas classified as difficult and most difficult.

The incentives include five-year tax holidays and duty-free import of raw materials.

The greater Colombo Economic Commission, which handles industrial investment, is making sure the entrepreneurs are given quotas, loans, land, electricity, telephones and customs facilities.

Under the plan, workers must be paid a minimum wage of 2,000(47 dollar) rupee a month and each factory must employ at least 500 people.

In 1991, garments exports earned 809 million dollar in foreign exchange.

Russia hires W Street bank to recruit investors

MOSCOW, Feb 18: The Russian government announced Monday that it has hired the Wall Street investment bank Goldman Sachs to recruit foreign investors and defend Russia's interests in negotiating business deals.

Russian officials refused to reveal the terms of the contract, which Goldman Sachs won over three rival investment banks, but said at a news conference that the US company will be paid partly on a commission basis linked to profits.

'We want to create a new image of Russia for foreign investors,' said Leonid Grigoriev, Deputy Economics Minister in charge of the Committee on Foreign Investment.

Hiring Goldman Sachs shows Russia wants to attract serious Western businesses to invest in Russia to speed up the economic transformation in the country,' Grigoriev said.

Robert Rubin, a Goldman Sachs senior partner, said his firm will give Western companies 'greater comfort and greater optimism' as they invest in Russia.

Political watchdog now to check smuggling

MOSCOW, Feb 18: Former KGB officers working in the Russian customs service will all be fired within two months to transform the service from a political watchdog to an anti-smuggling agency, its director said Monday.

Anatoly Kruglov, head of the Russian Customs Committee, said the department that was in charge of checking books, magazines and audiovisual materials will be abolished, according to Tass.

For years customs agents combed through travellers luggage looking for books that were banned in the Soviet Union, such as the works of Alexander Solzhenitsyn. They also took away religious pamphlets, pornography, and histories that were deemed to be 'anti-Soviet.'

Kruglov told a news conference that the customs service now will focus on preventing 'industrial smuggling' of large amounts of food, manufactured goods, and raw materials out of Russia, Tass reported.

He warned that if other republics in the new Commonwealth of Independent States do not agree to unified tariffs, customs regulations and trade agreements, Russia may have to set up customs checkpoints along its borders with commonwealth states.



Visiting IMF team, lead by Ichiro Otani, at a meeting with Labour and Manpower Minister Abdul Mannan Bhuiyan at his office on Monday.

5 ex-Soviet republics join ECO toward Islamic market

TEHRAN, Feb 18: Five Muslim republics of the former Soviet Union have joined Iran, Turkey and Pakistan to create a potentially powerful Islamic Common Market, reports Reuter.

'We are part of a larger ideological family,' Iranian President Akbar Hashemi Rafsanjani said at the close of a two-day Economic Co-operation Organisation (ECO) summit in Tehran.

The ECO summit ended with a communique welcoming the former Soviet republics of Azerbaijan, Uzbekistan, Turkmenistan, Kirgystan and Tajikistan as new members.

The long-dormant ECO was founded 27 years ago as an economic club by Iran, Turkey and Pakistan. The collapse of the Soviet union has sparked ECO's revival as newly-independent Muslim states look to form political and economic alliances.

The ECO states have more than 250 million people in an area stretching 4,500 km (nearly 3,000 miles) from the Balkans to the Himalayas.

Although Turkey and Iran maintain their interest in ECO as economic rather than political, there could be a test of wills between the two countries for ECO leadership.

Turkey's President Turgut Ozal, whose country's secular tradition contrasts sharply with the Islamic fundamentalism of Iran, urged the summit to urge the ECO to develop in line with liberal market-oriented policies.

'All our countries now believe in the advantages of the free market economy,' Ozal said, adding a plea for religious tolerance.

Ozal told a Monday news conference that the idea of fierce competition between Iran and Turkey for influence in the Muslim countries of the former Soviet Union was exaggerated.

ECO leaders signed an agreement to cut tariffs on listed goods by 10 per cent and pledged efforts to eliminate all tariffs and non-tariff barriers, together with subsidies on all exports, they said they wanted to develop cooperation in transport, communication, energy, industry and agriculture, but took no specific decisions.

'If we continue seriously in our cooperation we can be an important weight in the global economy,' Rafsanjani said.

The half-Muslim state of Kazakhstan, a vast former Soviet republic bordering China attended the summit as an observer, but made no formal application to join.

Two non-Muslim states, Armenia and Romania, have voiced interest in joining.

Total amount at work is \$ 670b

ABU DHABI, Feb 18: Arab investors, despite losing around 100 billion dollar overseas in the past 10 years, still steer clear of the Middle East where they fear political instability, Gulf bankers and economists have said, reports AFP.

Despite repeated calls for the repatriation of their funds, Arab investment remains concentrated in the West, and is estimated at nearly 670 billion dollar.

The Gulf War last year triggered the flight of a further 15 billion dollar, only a fraction of which has returned.

'We all want to invest in Arab countries to help their economies, but the problem is that the laws in many of them are not encouraging,' senior Gulf banker complained.

'No one can deny we sometimes suffer losses abroad, but the profits we are making more than those to offset the losses.'

Mohammad Farid, Deputy Chairman of the Cairo-based Arab-African International Bank, put those losses at 100 billion dollar.

The losses of Arab financial institutions, banks and individuals throughout the world reached 100 billion dollar over the past 10 years,' he told the United Arab Emirates daily Al-Khaleej this week.

'They involve investment in stocks, gold and silver abroad.'

Most overseas Arab assets are based in the West and invested in stocks, real estate, bank deposits and the downstream petroleum sector.

Of these funds, the six Gulf Cooperation Council (GCC) states control about 350 billion dollar, amassed from their huge oil earnings over the past two decades.

But GCC states have come under fire from poor Arab nations for not investing locally.

'Investment in Egypt, Jordan, Morocco and Tunisia has proved profitable,' said Abdallah Al-Muhairbi, Chairman of the Abu Dhabi Chamber of Commerce and Industry.

The reported increase in Saudi production would mean that Riyadh must cut output by more than 750,000 barrels a day compared to the January figure, in order to keep to its new OPEC output quota of 7.887 million barrels a day.

In any case, Saudi Arabia already has indicated it will actually produce somewhat over the quota, or around eight million barrels a day.

OPEC output slightly up in January

NICOSIA, Feb 18: Oil Production by members of the Organization of Petroleum Exporting Countries increased slightly last month, the Middle East Economic Survey said Monday, reports AP.

The respected oil newsletter published in Nicosia said OPEC output surged to an average of 24.365 million barrels a day in January, up 65,000 barrels a day over the previous month.

The almost stationary production figure masked larger swings by individual members: Saudi Arabia and Kuwait both increased their output while Nigeria, the United Arab Emirates and Iran lowered theirs, MEES estimated.

It said Saudi Arabia's output averaged 8.65 million barrels a day last month, up 150,000 over the previous month and Kuwait boosted its production by 75,000 barrels a day to 585,000.

Ecuador also increased its output slightly, by 10,000 barrels a day.

This was counter balanced by 50,000 barrel-a-day cuts each by Nigeria, Venezuela and the United Arab Emirates and a 20,000 barrel-a-day cut by Iran, the newsletter said.

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Business briefs

Russian aluminium exports to rise: Russian aluminium shipments are likely to pick up sharply when the current confusion over export levies is clarified, a Razono import source said, reports Reuter from London.

EC embargo on Haiti remains: European Community Foreign Ministers have agreed to maintain an EC embargo on Haiti, but have kept the Caribbean nation on a list of developing countries with preferential access to European markets, reports AFP from Lisbon.

Ban on exotic birds trade urged: Conservationists called Tuesday for a complete ban on worldwide trade of millions of exotic birds, saying current laws fail to protect endangered species, reports Reuter from London.

Up to 50 per cent of birds caught in the wild in Africa, Latin America and the far east die before export to western pet shops, the London-based Environmental Investigation Agency (EIA) said in a report, 'Flight to extinction', published Tuesday.

OPEC deal unlikely to spur world economic growth

PARIS, Feb 18: The prospect that oil prices will remain well below OPEC's target level is a boon for policy makers exasperated by the sluggishness of the world economy, reports Reuter.

The stability of oil prices was one of the three factors, along with improved inflationary expectations and falling long-term interest rates, that Finance Ministers and central bankers from the Group of Seven industrial nations cited last month to justify their confidence in an economic rebound.

But oil analysts and economists are far from convinced that sustained recovery is in store.

They are, however, sure that the fragility of OPEC's accord last weekend rules out the possibility that a brusque rise in oil prices to OPEC's 21 dollar a barrel target or beyond.

'The agreement is only as good as the intentions to adhere to it, as in all OPEC agreements,' said Peter Bogin of Cambridge Energy Research Associates in Paris. 'If they do stick to it, the best we can hope for is a stabilisation of prices.'

Ministers of the Organisation of Petroleum Exporting Countries agreed on Saturday to trim output by six per cent to just less than 23 million barrels per day.

That was almost 500,000 BPD more than virtually all members wanted except for the most influential producer, Saudi Arabia.

In driving down Brent crude prices about 70 per cent today to around 17.70 dollar a barrel, markets echoed the reaction of Algerian Oil Minister Nordine Att Laoussine who said the deal would not be enough to prop prices up, and at most it might stop them declining further.

He said prices could fall another 2-3 dollar a barrel by spring if OPEC failed to police the new pact.

But he doubted that the stimulus to the world economy would be great because businesses and consumers had already factored lower prices into their buying and investment decisions.

'Oil is already cheap. Nobody expected it to be 17 dollar a barrel,' he said. Prices had fallen about 4 dollar since November.

Philippe Singogne of the OFCE Economic Research Institute in Paris said prices would have to drop to 12 to 13 dollar to make much of a difference.

Softness in oil and other commodity prices might allay any worries about an acceleration of inflation. But he doubted it would visibly bolster consumer and business confidence.

'Not having believed that prices were headed sharply higher, the public won't be surprised by weakness (in prices),' Singogne, who had been assuming oil at 18 dollar a barrel in 1992, said.

'I don't think it's going to have an impact on the world economic outlook, certainly not for 1992,' added Wendy Niffiker, an economist with James Capel in London.

Cheap oil is now taken for granted as a far cry from the lead-up to the 1991 Gulf War when markets feared already high prices would rocket if Saudi oil installations were damaged.

With Kuwaiti output coming back on stream and demand sapped by sluggish growth, the world is awash with oil.

US investment bank Morgan Stanley, which last month reduced its 1992 oil price forecast by three dollar a barrel, is sticking to threat forecast in light of the OPEC pact.

It expects west Texas intermediate, a blend that costs one to two dollar less than Brent, to average 19 dollar a barrel. John Welemeyer, an oil analyst at the firm's London office, said OPEC may need to cut output further to prop up prices if world economic growth does not start to pick up by spring.

Well-behaved oil prices help to dampen imported inflation, but on the crucial issue of when the Bundesbank will be able to lower its interest rates which are keeping the cost of money in the rest of Europe punishingly high - the cost of oil is not a determining factor for the German central bank.

The Bundesbank said today lower import prices add a weaker dollar had helped cut annual inflation to 4.0 per cent in January from 4.2 per cent in December. But more importantly in the view of the central bank, domestic prices pressures had continued unabated. It said in particular steel workers recent 6.4 per cent pay rise agreement could set an inflationary precedent.

The Bundesbank monthly report said that despite a weakening of the economy, trend toward higher prices had not diminished.

Bundesbank President Helmut Schlesinger told Der Spiegel magazine that although there was no need to raise interest rates, they were not about to come down.