Industrialist, press hail it as 'bold approach'

Indian budget aims at sweeping reforms

NEW DELHI, March 1: India unveiled a free market oriented budget with wide-ranging measures aimed at ending years of semisocialism, but denied it was acting under pressure from foreign aid donors, reports AFP.

Finance Minister Manmohan Singh told parliament the 1992-93 fiscal year budget was aimed at giving a new thrust to India's economy amid its worst fiscal crisis since the country's independence in 1947.

Manmohan Singh announced partial convertibility of the Indian rupee and legalisation of gold imports while calling for increased foreign investment in the country's industrial base.

"We cannot postpone structural reform and adjustment," he said in a speech heard with rapt attention, after he told enraged opposition MPs he had not sold out India's economic sovereignty to international aid agencies.

The minister said the deficit in the fiscal year beginning April 1 would be 1.9 billion dollar, with total revenue pegged at 43.9 billion dollar and government spending totalling 45.8 billion dollar.

Manmohan Singh denied opposition charges that details of the budget proposals were made available for the approval of the World Bank and the International Monetary Fund, which have loaned huge sums to bolster the Indian economy.

Singh unveiled the deficit budget in parliament Saturday, opening the doors further for foreign investment and injecting sweeping reforms into the crisis- hit economy.

The minister, in a path-breaking move, announced partial convertibility of the Indian rupee and wide-ranging tax reforms, slashed import duties, eased gold imports and only marginally upped the defence outlay.

In a 90-minute speech he said the government would welcome proposals for private investment, including foreign investment, in production, refining and marketing of oil and gas, with a view to maximising growth potential.

Singh said total revenue and government spending for 1992-93, which open April 1, would be 43.9 billion dollar and 45.8 billion dollar, leaving an estimated 1.9 billion dollar deficit.

"We have to accept the need for reform if we are to avoid an increasing marginalisation of India in the evolving world economy," he said.

Newspapers and industrialists Sunday hailed India's budget for 1992-93 as a bold approach to fiscal management that would finally open up the country's economy to the world.

But opposition parties lambasted Finance Minister Manmohan Singh, alleging that the market-friendly budget had been tailor- made to the commands of aid agencies such as the International Monetary Fund (IMF) and the World Bank.

Premier PV Narasimha Rao's minority government needs the backing of the opposition to get the proposals through parliament, and a grouping of centrists and communists said they would try to vote down the budget.

"The budget represent an enormous step along the road charted out to the Indian economy by the IMF and World bank," Prakash Kadat of the Communist Party of India (Marxist) said on the behalf of the coalition.

"We will be voting against it," he told AFP.

The right-wing Bharatiya Janata Party (BJP), Indian People's Party, the main opposition, however did not reject the budget in its entirety.

The stock markets reacted insiantly and gleefully, soaring to unprecedented heights, and Sunday Indian newspapers by and large appeared to agree with him.

The business and political observer said the budget "makes an attempt to take the country forward on the road to liberalisation in which the state's role will mainly be supportive and not restrictive."

The Times of India said in a front- page editorial that the budget sought to convert India " from a control-bound, inward-looking economy into a market- friendly, outward-looking one."

Most newspapers hailed the bureaucrat-turned-politician for partial rupee convertibility and reducing the 'budget deficit from 8.4 per cent of Gross Domestic Product (GDP) in 1990-91 to 6.5 per cent in 1991-92.

He also announced an across--the-board five per cent hike in excise duties.

The stock markets' unabashed glee stemmed from tax exemption for mutual funds, removal of controls over capital issues, the ending of wealth tax levies on shares and bonds and a one per cent decline in interest rates.

The Financial Express said the budget changed "the very framework from a semi-controlled to a liberalising economy," while the Hindustan times said Singh had moved "with courage and a sense of history."

Top industrialist KN Modi, in a statement reflecting widely shared business opinion, called the budget " very pragmatic and investment oriented."

"The introduction of partial convertibility (of the rupee) is a path- breaking step to boost exports," he added. Similar sentiments were expressed by most chambers of commerce and industry.

But newspapers warned that the budget's success would depend on government efforts to curb inflation, now running at 12 per cent.

The Economic Times said the increase in excise duties, aimed at mopping up some 769 million dollar, might send prices soaring, while the Indian Express said the country "will soon have to reconcile itself with endemic inflation."

Another report adds: India announced it was raising its defence spending by seven per cent in its 1992-1993 federal budget unveiled in parliament today.

The federal budget allotted 6.73 billion dollar for its armed forces for fiscal 1992-93 (March-April) from last year's spending of about 6.2 billion dollars, Finance Minister Manmohan Singh said.

Meanwhile, India announced Saturday 1992-93 loan allocations for three of its neighbours, with the lion's share of 35.7 million dollar going to the tiny Himalayan Kingdom of Bhutan.

The Bhutan commitment, which had previously been announced as a tranche of a larger grant for the country's five-year development plan, far outpaced smaller loans to Bangladesh and Nepal of 8.2 million and 7.6 million respectively.

Bangladesh also qualified for a 4,23,000 dollar surface transport development allocation, while loans to other developing countries, notably African countries, Vietnam and Cambodia, were generally incorporated in contributions to UN organisations.

NEW DELHI : A security guard standing positioned before bundles of India's proposed budget outside parliament moments before the crucial economic policy package was presented Saturday. —AFP photo

The days of Gorbachev

MOSCOW, Mar 1: Two months after the country he presided over was abolished and his job with it, Mikhail Gorbachev gives the appearance of being busy, but has not in fact found a convincing role for himself, reports AFP.

The former Soviet leader, who turns 61 on Monday, has recently made it known that he has a hard time getting by on his pension, even though his past and future writing activities, particularly in the west, ought to provide him with an ample income.

But Gorbachev's contacts with foreigners — which in the coming week will include a trip to Germany, followed by a visit to former US President Ronald Reagan in May — have brought him some scathing comments in the Russian press.

In addition to his activities at the research foundation which now bears his name, the former leader has agreed to write columns for the New York Times, and also for the Komspmolskia Pravida newspaper.

Gorbachev's reported money problems make many Russians laugh. They note that his wife Raisa, has so far not been forced to go out to work, even though, according to press reports, she was offered a post with the Gorbachev Institute.

Last week Gorbachev said that with the 4,000 rouble pension allotted to him by Russian President Boris Yeltsin, he could "barely manage to pay the bills" given the huge increase in prices here.

In support of that statement, the conservative Sovietskaya Rossia newspaper recently reported that the former Soviet leader had been embarrassed when he wanted to invite a group of visitors to eat in the canteen of his institute, but then had to admit he didn't have enough cash.

Vladen Loginov, the former president's secretary, say Gorbachev spends two or three hours a day writing his memoirs.

The former leaders till has two or three dozen secrets, which will make the book into a best-seller for a long time, Loginov told Sovietskaya Rossia.

Apart from that Gorbachev spends some of his time preparing for the official opening of his institute, which takes place on Tuesday, just before he goes off to Germany.

His trip there is reportedly being paid for by a media group, which will be syndicating his New York Times articles.

Gorbachev's public appearances at home have been few since he officially relinquished power on December 25 last year.

On Saturday, when he arrived with Raisa in his government provided Limousine at the Moscow film makers centre for a party celebrating a newspaper anniversary the 900 top-notch guests gave him a long round of applause.

Pak rupee devalued to boost export

KARACHI (Pakistan), Mar 1: The State (Central) Bank of Pakistan adjusted the rupee at 24.7000/24.8235 to the dollar from 24.6800/24.8034 fixed on Tuesday, reports Reuter.

The bank gave no reason for the slide, but a Pakistani banker said the rupee was depreciated to boost exports.

In forward trading, the rupee was quoted at 25.74 to the dollar for up to six months and at 26.67 for up to one year.

US pledges $75 m for LDCs to study greenhouse gases

UNITED NATIONS, Mar 1: The United States on Thursday pledged to give 75 million dollar to developing nations to help them study so-called greenhouse gases and ways to cut them, reports Reuter.

Speaking to a UN meeting here to prepare for a world environment summit, US delegate Robert Reinstein said 50 million dollar would be given to a World Bank fund for developing nations to use to address climate change issues.

A further 25 million dollar will be available directly from the United States for poor nations to prepare national inventories of greenhouse gas emissions and to examine ways to reduce or limit them.

Harmful medicines flood Asia in absence of global drug policy

MANILA, Mar 1: Harmful medicines are endangering Asian lives, and tragedies can only be avoided if governments adopt policies ensuring safe and affordable drugs, experts say, reports AFP.

Asia is flooded with thousands of brand-name drugs, some of which are "irrational, ineffective and useless," said K Balasubramaniam, a doctor at the Malaysia-based International Organisation of Consumers Unions.

Several people died in India from using a painkiller known as dipyrone before it was taken off the market in the mid-1980s by the German pharmaceutical firm Hoechst, which first made the drug under the brand-name Analgin, he said.

Similarly, an anti-diarrhoeal drug known commercially as clioquinol caused blindness and paralysis in thousands of Japanese in the 1980s, forcing its makers, Ciba-Geigy, to withdraw it from the market, he added.

Balasubramaniam made his remarks at a seminar in Manila last week for Asian journalists at which experts from across Asia focused attention on the drug problem.

He said "miseducated" doctors tend to prescribe antibiotics indiscriminately for diarrhoea and other viral diseases, describing the practice as "dangerous" because it made germs resistant to the drug.

He also cited the widespread use of cough syrups in Asia, where multinationals earn millions of dollar in profits without warning consumers that they "are useless and people are paying for nothing".

Balasubramaniam also criticized the promotion by drug firms of so-called brain tonics, saying "there is no drug in the world that can improve the mental function."

"Lives of Asians are being endangered with the flooding of the market of several thousand drugs," he said, adding that to prevent potential catastrophes, a global drug policy must be adopted "to improve drug treatment of the people and reduce the cost."

Only three countries in Asia — Sri Lanka, Bangladesh and the Philippines — have had the "political will" to introduce a national drug policy and have so far withstood pressures of pharmaceutical firms and doctors opposed to the reforms, Balasubramaniam said.

The doctor said a national policy must ensure that only experts determine the essential drugs to be allowed into the market and that all drugs must be labelled by their generic names.

Balasubramaniam also said the policy must affect the government and the private sector, require doctors to prescribe drugs "rationally" and discourage "unethical" promotions of medicines.

Colvin Goonaratna, a Sri Lankan doctor, said his country introduced a drug policy in 1971 despite pressure from foreign interests, including the influential International Federation of Pharmaceuticals and Manufacturers Association which threatened to sever economic aid to the South Asian country.

Bangladesh, which implemented a drug policy in 1982, was successful in lowering drug prices after it required that the raw materials for the medicines be bought only through international bidding, according to Zafrullah Chowdhury, a Bangladeshi doctor from a non-government group called Gonoshasthaya Kendra.

Foreign drug firms with no local factories are also banned from producing medicines in Bangladesh, while multinationals are prevented from manufacturing antacids and oral vitamins to give preference to local firms, Zafrullah said.

The Philippines' drug policy, introduced in the late 1980s, requires drug firms to put generic names on the labels, and makes doctors prescribe drugs by their generic names. Many drug firms and doctors, however, continue to oppose the programme.

Miyazawa to visit US, UK before G-7 summit

TOKYO, Mar 1: Japanese Prime Minister Kiichi Miyazawa is planning to visit Britain and the United States ahead of the July summit of advanced democracies in Munich, a Tokyo daily said, reports Reuter.

Miyazawa told government officials to prepare for his trip beginning in late June, the Yomuri Shimbun daily said.

He will end his trip in Munich, where the leaders of the Group of Seven countries, Britain, Canada, Italy, Japan, France, Germany and the US will hold a summit from July 6 to 8.

Malaysia to employ more foreign nurses

KUALA LUMPUR, Mar 1: Malaysian government hospitals are to employ more foreign nurses on a contract basis to ease their nurse shortages, estimated at 1,300, the Malaysian national news agency Bernama reported yesterday, reports Xinhua.

Interviews conducted recently revealed that retired nurses in the country are not keen to be re-employed as contract nurses, Bernama quoted Health Ministry Director General Dr Abu Bakar Sulaiman as saying in Kuala Lumpur.

Indian stocks on bull run

BOMBAY (India), Mar 1: A grim picture painted by the government in its annual assessment of the economy had virtually no impact on the bull run on Indian stock markets this week as prices continued to sore unabated, reports AFP.

The Bombay Stock Exchange (BSE) sensitivity index gained 304.5 points to close at an all time high of 2759.2, while the BSE nation index moved up 108.2 points to finish at 1246.2.

In its annual economic survey released on Thursday, the finance ministry projected a growth rate of 2.5 to three per cent in the Gross National Product, and negative growth for the industrial sector for the current year.

But stock brokers in Bombay said this only goes to show that the government will now be forced into accelerating reforms to spur industrial growth.

The economic survey not only calls for reforms in the industrial sector, but for the removal of all price and distribution controls and a comprehensive strategy to reduce import tariffs and make Indian industry internationally competitive.

The first step in this direction was taken Saturday evening when the Finance Ministry placed the crucial annual budget for fiscal 1992-3 starting April before the parliament.

Business briefs

G-7 talks full IMF membership for CIS: Senior officials from the Group of Seven (G-7) industrial nations Saturday discussed the full integration of the Commonwealth of Independent States (CIS) in the international financial community, reports Reuter from Bonn.

Monetary sources said the officials are considering full membership of the CIS in the International Monetary Fund (IMF), opening up IMF funds to the cash-strapped former Soviet Republics.

Asian banks want to operate in Cook Island: Two Asian banks were interested in setting up offshore operations in the tax haven of the Cook Islands, Prime Minister Geoffrey Henry said Saturday, reports AFP from Avarua in Cook Island.

Bush too much pessimistic: President Bush is complaining about "too much pessimism" over the economy but says he will stick to the campaign high road and will be in the White House "for another four or five years," reports AP from Houston.

Commodity prices: Aluminium hits 7-month high while tin eases

LONDON, Mar 1: Coffee prices continued to tumble this week, falling to their lowest-ever value in real terms and lifting losses over the past five weeks to 25 per cent, reports AFP.

Analysts said the dramatic slump could force Brazil to reconsider its position on a new international agreement and drop opposition to reintroduction of export quotas.

Violent civil unrest in Ivory Coast meanwhile lifted cocoa prices after the market had failed to react to the International Cocoa Organisation (ICCO)'s decision to negotiate a new international agreement with economic clauses under UN auspices in Geneva in June.

On the London Metal Exchange (LME), copper reached its highest level for three months on fears about potential strikes at Chilean state mining consortium Codelco and in Peru.

Aluminium remained firm, underpinned by continuing speculation about potential disruptions to exports from the former Soviet Union, but gains were trimmed by reports that the Russian government had lifted controversial new export taxes which it had been feared would lead to reduced shipments.

Gold: Rally after hesitant start. Gold prices fell at the beginning of the week below the 350 dollar/ounce threshold for the first time since early January. Operators attributed the fall to technical factors and a strong dollar. Brokers GNI also cited the latest figures on gold imports by Japan, which fell to 12.79 tonnes in January, against 23.34 tonnes in December and 17.92 tonnes in January 1991, against 23.34 tonnes in December and 17.79 tonnes in January 1991.

But a strong technical rally later cancelled losses.

Platinum: Rally after sharp fall. Prices fell sharply on Tuesday, on news that US group Corning had launched a catalytic converter satisfying tighter anti-pollution laws due to come into effect in California in 1997.

The recovery was strengthened on Thursday by short-covering, in the wake of the New York market.

Silver: Erratic. Silver fluctuated erratically, with a fall at mid-week followed by a rally. Slim hopes for a recovery in industrial demand, due to the slowing down of the world economy, at first pushed prices down, but the metal later rallied on the same wave of short-covering seen in other precious metals.

Copper: Firmer. Copper rose through the 1,300 dollar/tonne mark to reach its highest level for three months in reaction to labour unrest at Chilean state mining group Codelco, the world's biggest producer of the metal, and in Peru.

Workers at the Chile's Chuquicamata mine, the world's largest, threatened to take strike action in support of miners' demands at the smaller El Teniente Complex where a go-slow began Monday to protest job cuts. Although a planned all-out strike was postpone, unions said the dispute continued. El Teniente produced nearly 280,000 tonnes of refined copper in 1991, about 25 per cent of Codelco's total.

In Peru, workers at Southern Peru Copper Corporation (SPCC)'s ILO smelter authorised union leaders to call a strike, following similar votes at the Cuajone and Toquepala mines.

LME stocks of copper fell 5,825 tonnes to 302,725 tonnes, reflecting recent Chinese buying.

Zinc: Firmer. Zinc rallied to this highest level since early December in reaction to a declaration of force majeure at Peru's biggest refinery, Minero's 93,000 tonnes-per-year Cajamrquilla complex and rumours, denied strongly by the company, that Canadian producer Cominco was planning to close its 260,00 tonnes per year zinc/lead smelter in British Columbia.

LME stocks of zinc rose 7,900 tonnes to 203,250 tonnes.

Lead: Firmer. The Cominco rumours and the firm trend in the copper market combined to push lead prices higher over the week despite some light profit taking towards the weekend.

LME stocks of lead rose 1,400 tonnes to 133,100 tonnes.

Tin: Easier. Tin drifted slightly lower after reaching a six-month high at the end of the previous week, weakened by news the US Pentagon planned to dispose of 60,000 tonnes from its tin stockpile over the next five years.

But the metal remained underpinned by recently improved sentiment for the metal.

Optimism that worldwide overproduction and the stocks overhang were being addressed was increased by news that Malaysia's tin output, once the largest in the world, fell to a post-war low in 1991 because of the metal's uncertain future. Production declined 27 per cent to 20,710 tonnes, against 28,468 tonnes in 1990.

Aluminium: Firmer. Aluminium reached its highest level for seven months on continuing concern about potential disruptions to exports from the former Soviet Union arising from a dispute between Russian authorities and producers over new export taxes. Reports at the end of the week that Russia had lifted the taxes prompted a slightly easier trend in view of the weak fundamental position of the metal, highlighted by another rise in LME stocks to a new record high of 1,115,050 tonnes, up 28,375 tonnes.

Nickel: Slightly easier. Nickel remained underpinned by the ongoing potential supply threat from the former Soviet Union but drifted slightly lower over the week on mild profit-taking. LME stocks rose 1,698 tonnes to 21,432 tonnes.

Coffee: Slight rally after sharp fall. Losses intensified at the beginning of the week, due to world oversupply, high consumer stocks and pessimism about the prospects of a reintroduction of export quotas by the International Coffee Organisation (ICO).

Prices have fallen to their lowest level for 17 years in nominal terms, which represents a historic low in real terms. The market then tried however, to cut its losses, benefitting from a technical correction.

Sugar: Eased after steady start. Prices were supported at the start of the week by floods in producing regions of Australia, then eased on rumours that 40,000-50,000 tonnes of Mexican sugar had been sold on the world market.

German statistician FO Licht predicted that India would try to sell its 1992-93 (April-March) production surplus of about one million tonnes at the beginning of the session, rather than waiting for the harvests of other producing countries to arrive on the market.

Cocoa: Recovery after easier start. After a start depressed by the slump of the New York market to a six-month low, prices recovered in reaction to riots in Ivory Coast and a slowdown in Ghana's purchases from planters.

Vegetable oils: Irregular. Soya prices eased after losses in Chicago in reaction to good weather conditions in South American producer regions. Hopes for further credits to the CIS had initially encouraged buying by US operators.

Prices of some oils were supported by estimates from the British Home Grown Cereals Authority that British imports of sunflower, rapeseed and soya meal had increased sharply this season. Britain imported 1.2 million tonnes of vegetable meal, 12 per cent more than the previous season. Purchases of sunflower meal and rapeseed meal rose 35 per cent and 16 per cent respectively.

Petroleum: Weak. Brent Crude, the benchmark for North Sea Petroleum output, continued its weaker trend, started by last week's bearish OPEC agreement on a higher-than-expected output ceiling.

Mild weather and high product stocks in Europe and the United States weakened the Gasoil market, which in turn added to the downward pressure on crude. A lack of demand for spot, crude also depressed brent prices. The American Petroleum Institute (API) figures showed crude stocks up by 1.357 million barrels over last week, further weakening prices.

Rubber: Steady. Natural rubber prices firmed slightly on the London market, supported by sterling's weakness against the Malaysian ringgit. But the trend remained weak due to lack of demand in Europe, where the industry had largely covered its requirements for the first half of 1992 by the end of last year. But in the United States, stronger demand from tyre manufactures was reported.

India, although the world's fourth-largest producer of natural rubber, has traditionally been a net importer. But it is likely to become a net exporter this year, due to excess production, brokers said.

Grains: Recovering. Wheat and barley prices picked up on the London market, after recent falls. The European Commission has announced that Russia is to be granted credit guarantees worth 500 million Ecu (650 million dollar) in the next few days to enable it to buy European Community food products.

Tea: Rising. Strong demand has been reported at the weekly London auction, where average prices were set at 150 pence/kilo for quality grades (unchanged from last week) at 94 against 90 pence for medium grades and at 80 against 78 pence for low grades.

Cotton: Slightly firmer. The price firmed slightly on the Liverpool market, but the trend stayed weak. European buyers on Tuesday on the New York market, where gains did not hold up.

According to official statistics, India's Cotton harvest should yield 10 to 10.5 million 170-kilo bales in 1991-92 (Sept-Aug). This forecast is below the target of 12 million bales, but above last year's harvest estimated at 9.8 million bales.