

Tax benefits for salaried people, concessions to small traders planned

Delhi unveils fresh plans to boost economy

NEW DELHI, May 3: Prime Minister PV Narasimha Rao's government has unveiled fresh plans to revitalise India's sagging economy and give a respite to a teeming middle-class struggling with a double-digit inflation, reports AFP.

The 1992-93 Finance Bill Amendments, unveiled yesterday, require parliamentary approval before tax benefits are extended to millions of salaried people, and concessions to small traders and the export industry, officials said.

Finance Minister Manmohan Singh suggested slashing taxes on gold imports by half and planned a hefty cut in export duty on some products to ensure that they were not priced out of the international market, the officials said.

The series of amendments to the Finance Bill, released in February, suggested concessions for industries such as electronics, pharmaceuticals, engineering, chemical and garment and recommended a reduction in duty on certain goods imported by export-generating industries. Manmohan Singh's latest blueprint plans to remove stifling wealth taxes on vehicles and real estate in a bid to assuage the rich who were stung by Rao's radical 1992-1993 budget.

The latest largesse, seen by many as a "summer gift" to

Indians, will reduce earnings of federal and state government exchequers by six billion rupee (231 million dollar), the bill said.

"It is a summer gift to the people, specially to the petty traders, businessmen and the middle-class," an MP was quoted as saying in parliament.

The amendments plan to cut duty from 17.30 dollar to 8.46 dollar on each 10 grams of gold imported by Indians in line with government plans to end smuggling.

The 1992-1993 budget allowed Indians living abroad for more than six months to bring back up to five kilograms of gold.

Manmohan Singh, who in his budgetary speech February 29 had warned he would withdraw income tax concessions, reversed his decision and said tax shelters for the salaried class would continue to exist.

He also raised income tax rebates for India's middle-class, and said he planned to simplify red tape involved in the present system so that "people would get over their psychological hesitation in dealing with income-tax authorities."

Rao's fiscal 1992-1993 (April-March) 43.9-billion-dollar-budget won accolades as it made the rupee partly convertible, cut import duty on many

items, legalised gold imports and ordered wide-ranging tax reforms.

The budget opened the doors further for foreign investment and introduced market principles into India's four decades of quasi-socialist fiscal policies.

Wheat import halted

Reuters adds: India will not import wheat until it finishes its annual grain purchases from local farmers in the next few months, Food Minister Tarun Gogoi said here.

Delhi would not need imports if it bought a targeted nine million tonnes of wheat from Indian farmers, compared with 7.7 million last year, Gogoi was quoted by the United News of India (UNI) as saying on a visit to his home state, Assam.

India said in January it intended to import one million tonnes of wheat to bolster declining buffer stocks and dampen rising grain prices in the domestic market.

Food ministry officials visited western Europe and the United States in February and March looking for concessional prices on a wheat deal but came away empty-handed.

Gogoi said in an interview in March he had hoped the

United States would sell wheat at cut-rate prices under its Export Enhancement Programme (EEP). Washington later said India did not qualify for EEP since it was not a regular buyer of US wheat.

India's foodgrain production in the 1991/92 agricultural year ending in June is likely to fall to between 171 and 173 million tonnes, about four million less than a year ago, government officials said on Friday.

The main reason for the shortfall was a lower winter crop, UNI quoted the officials as saying at an agriculture conference.

Foodgrain production is crucial to the economy of India, where about 70 per cent of the population of 850 million depend on agriculture for a living. The rise in foodgrain prices has helped push inflation to about 13 per cent a year.

Latest estimates put the 1991 winter crop at 94.2 million tonnes compared with 99.7 million in the 1990 winter, the news agency quoted the officials as saying.

India's 1990/91 grain production was a record 176 million tonnes. Government officials had earlier estimated 1991/92 output at 182.5 million.

India's farms are mostly rain-fed and a good summer monsoon is essential.

The Indian Meteorological Department in a preliminary forecast said the monsoon, due in June, could be slow in developing after four good monsoons in a row.

Drug exports up by 20pc

Xinhua reports: India's drugs and pharmaceutical exports increased by more than 20 per cent in the 1991-92 year ending last March.

The estimated exports in this sector during the year was about 11,430 million rupees (439 million US dollar), according to the annual report of the Department of Chemicals and Petrochemicals available today.

Many of the basic drugs were exported to developed countries, the report said. The increase in exports was matched by an increase in production of drugs and pharmaceutical during the period.

Bulk drugs produced were worth 7,900 million rupees (303 million US dollar) and the formulations 42,000 million rupees (1,615 million US dollar), growing at a rate of 8.21 per cent and 9.8 per cent respectively, over the previous year.

Iran increases blood money 8-fold

TEHRAN, May 3: Iran's Chief Justice has sparked controversy by announcing a sharp increase in traditional "blood money" compensation which must be paid by anyone causing death, reports Reuters.

Under an ancient Islamic custom written into Iranian law, "Diyeh" or blood money is paid to the victim's family.

Tehran's bus drivers staged a go slow following the April 8 announcement that the payment was to be raised more than eight-fold to 70 million riyals (dollar 50,000 at the floating exchange rate).

A bus driver could now lose a lifetime's earnings if he kills a pedestrian in a traffic accident. Diyeh always applies in cases of manslaughter, including traffic accidents, the amount is defined as one of the following: 100 camels, 200 cows, 1,000 sheep, 200 silk dresses, 1,000 gold coins or 10,000 silver coins.

In cases of murder, relatives of the victim—called "Guardians of the blood" in Islamic legal jargon—have the choice of having the killer executed or exacting Diyeh instead.

"Drive carefully—70 million-riyals are lurking in the street," ran a recent headline in Tehran's Abrar Daily.

The controversial highlights the touchy question of adapting age-old Islamic laws to 20th century conditions—what leaders like President Akbar Hashemi Rafsanjani say is a main task of Iran's Islamic revolution.

But much of the debate has centered on the effects of any other price rise in an inflation-ridden society.

Commentator Ali Akbar Kasaeian, writing in the best-selling Daily Kayhan, said that instead of reducing traffic deaths the new Diyeh would make drivers more nervous and accident-prone people could not afford it.

"Don't the judicial officials know how many drivers are lingering in jail because they cannot pay even the old Diyeh?" he added.

A person who has 70 million riyal but is a

driver by profession would be crazy to put himself at such risk."

The Diyeh was previously set at eight million riyal (dollar 5700), the value of 10,000 silver coins.

Blood money for a woman is half the Diyeh for a man. Compensation for various injuries is set at fractions of the full diyeh.

Abrar said bus drivers were worried that the some people might be tempted to cause accidents to win the Diyeh—a fortune for many in a country where the average government salary is roughly dollar 150 a month.

Salam newspaper said the increase was prompted by a recent case in which the guardians of the blood, taking advantage of a legal point overlooked by others, demanded actual silver coins instead of the cash equivalent.

The murderer could not produce the silver coins—there are none in circulation—asked had to settle for the cheapest of the other items: 1,000 sheep, which cost about dollar 50,000.

"It was this attention to detail which led to the increase in Diyeh without any change in the law," said the paper which gave no other details about the precedent-making case.

Announcing the increase in diyeh, Chief Justice Ayatollah Mortaza Mojtadaei said the compensation for injuries at the old rate was so low it often did not even cover hospital bills.

Three days later, Tehran city bus drivers who transport 2.5 million people in the capital each day delayed services on some routes to press their concerns about the rise, Kayhan said.

The state-run Tehran United Bus Company promised the drivers it would pay for their Diyeh insurance, the paper said.

After a few days of confusion, insurance companies announced an approximate eight-fold increase in Diyeh insurance rates to 30,000 to 50,000 rials (dollar 22 to dollar 36) per year for passenger cars. The rates for buses and trucks are to be announced later.

WB approves \$275m loan to Morocco

WASHINGTON, May 3: The World Bank said it approved a 275 million US dollar structural adjustment loan to support the last phase of Morocco's stabilization and adjustment programme.

Morocco launched the first phase of its economic reform programme in 1984, reducing its macroeconomic imbalances, the World Bank statement said.

The Bank said the loan supports three objectives—developing a more diversified economy, alleviating poverty, and developing the private sector as the main growth source.

The loan is to be in instalments of 138 million US dollar and 137 million US dollar and is a 20-year loan, including five grace years.

Washington defies GATT ruling on 'beer war'

GENEVA, May 3: The United States declined to respond Saturday to a GATT arbitration commission ruling against it in Canada's favour in a trade conflict that has come to be known as the "beer war", reports AFP.

The Commission, which was formed at Canada's behest, had ruled that the United States must bring its regulations on the import of Canadian beer, wine and cider "into conformity with its obligations" under the General Agreement on Tariffs and Trade.

The sale of Canadian beer in the United States amounts to about 200 million dollar a year, or 90 per cent of Canada's beer exports.

US GATT delegate Rufus Yerxa said the US government was tardy in responding to the Commission ruling because it had not yet been able to consult with the governments of the 44 of the 50 states concerned in the ruling.

"Consultations are not complete," he said.

He added that the US was "not in a position to agree on adoption" of the regulations "because it is the first reading."



KABUL: Citizens exchanging money outside the unofficial money exchange on May 2 in the Afghan capital as life returned to normal after days of heavy fighting between rival Mujahadeen guerrillas. The bazaar, traditionally the hub of Afghan commerce, had been closed due to fears of looting. —AFP photo

Annual meet in HK from today likely to be stormy

Chief plans to double ADB fund

HONG KONG, May 3: The annual meeting of the Asian Development Bank (ADB) opens here Monday, dominated by the need for billions of dollar in fresh capital and the question of aid the former Soviet republics of Central Asia, reports AFP.

Also looming on the agenda is the ADB's future relationship with Cambodia, where operations have been suspended for two decades, and Vietnam, where new lending is still blocked by a US trade embargo.

Delegates said American reluctance to commit new resources to the Bank and resume lending to the two Indo-Chinese countries would trigger renewed clashes with the Japanese at this year's meeting, the 25th since the Bank was formed.

As the biggest shareholders in the Manila-based Bank, grouping 36 Asia-Pacific countries and 16 other nations, Washington and Tokyo have long jostled for influence over its future direction.

This annual financial jamboree, grouping some 2,000 finance ministers, central bank governors and other officials,

also coincides with growing Asian fears of competition for funds from Eastern Europe and the former Soviet Union.

ADB President Kimmasu Tsurumizu wants to boost the Bank's capital resources by between 25 billion dollar and 30 billion dollar over the next five years, more than double the current level, informed sources said.

"We're trying to speed up the capital increase by the end of this year, said one highly-placed source, noting that the ADB would reach a limit on new lending in 1994 given its current capital resources of 24 billion dollar.

He said negotiations between member countries were likely to last about one year with governments making their financial commitments by the end of 1993.

But some delegates noted that the United States was cool towards the idea with big capital replenishments of other multilateral agencies on the horizon.

The Americans feel great pressure in persuading Congress to dip into sizeable monies for international financial institutions, said Australia's Assistant Treasury Secretary Kenneth Walker.

Walker said there was also some reluctance among others including European members.

The management of the Bank needs to put out some groundwork and analysis, he said.

Five of the six newly-independent republics of the former Soviet Union are meanwhile scheduled to make their maiden appearance at this year's meeting.

The republics of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan have all accepted the Bank's invitation to attend as observers. Political unrest has prevented Tajikistan from attending.

Dang Fook Lee, Secretary of the ADB Board, said the Central Asian republics appeared keen to join the Bank as borrowing countries.

But he noted that only four had so far met the Bank's requirement of being members of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Kazakhstan and Uzbekistan, the two biggest republics in Central Asia, have yet to join the Bangkok-based agency.

Japan begins five-day work week

TOKYO, May 3: Japan started a five-day work week for about 500,000 central government employees on Saturday, reports Reuters.

As a result, government ministries and agencies except post offices, hospitals, and customs and immigration offices closed for four consecutive days from Saturday thanks to the holiday-studded golden week.

Prime Minister Mitsui Miyazawa reportedly advanced the date of the introduction of the five-day work week by one month to realise one of his goals of giving Japanese more leisure time.

Under the new system, central government employees will work 40 hours a week and 1,960 hours a year, 104 hours fewer than at present.

UAE further moves to aid its bachelors

ABU DHABI, May 3: The United Arab Emirates (UAE) has introduced wedding aid in its budget allocations to help nationals face soaring marriage expenses, the UAE press reported Saturday, reports AFP.

Eighty million dirham (21.7 million dollar) had been earmarked for a wedding fund in the 1992 federal budget, which stood at 17.3 billion dirham (4.7 billion dollars), financed mostly from oil exports, it said.

"The allocation has been ordered by President Sheikh Zayed bin Sultan al-Nahayan to alleviate the financial wedding burdens on nationals," the official news agency WAM said.

The fund provides for interest-free loans to men to enable them to pay wedding dowries for their brides in accordance with Islamic rules. In some cases, such dowries exceed 100,000 dollars in the UAE and other wealthy Gulf states.

Officials have frequently urged families to accept smaller dowries for their daughters, saying high marriage costs were forcing UAE men to seek wives from abroad.

IMF target not met

Pak budget gap \$2.9b

ISLAMABAD, May 3: The Pakistani government estimated its budget deficit for the current fiscal year at 72 billion rupee (2.9 billion dollar) higher than earlier estimates and an International Monetary Fund (IMF) target, reports Reuters.

Finance Minister Sartaj Aziz told reporters the deficit for 1991/92 ending June 30 would be 6.1 per cent of Gross Domestic Product (GDP) against 4.6 per cent predicted when the budget was announced last May.

The budget for 1992/93 beginning on July 1 is due to be announced on May 14.

"Although the budget deficit is higher than expected yet we have managed it to bring it down from 8.8 per cent in 1990-91 to 6.1 per cent in 1991/92, he said.

The IMF had set a target of 4.8 per cent as part of its conditions for helping Pakistan. But Aziz said the IMF had accepted the higher figure which he blamed on an increased use of foreign aid, a world slump in cotton and yarn prices and a resulting reduction in revenues from export duties.

Foreign exchange reserves increased to 650 million dollar as compared to 300 million dollar in 1990-91, he said. The foreign currency accounts to-

talled 950 million dollar. Aziz said the overall GDP growth rate was likely to be 6.4 per cent short of a target of 6.5 per cent.

He said the government had also failed in plans to bring down inflation rate from 12.5 per cent in 1990/91 to eight per cent. "It is likely to be between 9.5 and 10 per cent."

Agricultural growth was likely to fall to 5.1 per cent from 6.4 per cent last year because of failure to achieve wheat, sugarcane and maize production rose to 12.5 million bales (375 pounds each) from 9.6 million bales from the previous crop.

The industrial sector's growth at the end of the fiscal year is likely to be around 7.7 per cent compared to 5.7 per cent in 1990/91 while private investment increased by 25 per cent, he said.

Concerning a stock market boom following measures to deregulate the economy, Aziz said the share index had increased more than 745 per cent as compared to 400 per cent in 1990-91.

"This is a measure of confidence in the potential growth of the market."

He put Pakistan's total foreign debts at 16 billion dollar and domestic debts at four billion rupees (161 million dollar).

Business briefs

Taiwan to talk with US on patent: Taiwan will hold talks with the United States this month to try to avert US sanctions over the island's protection of intellectual property rights, Economics Minister Vincent Siew has said, reports Reuters from Taipei.

Taipei will outline a range of measures it is taking to stamp out copyright piracy by local companies at the talks in Washington at the end of May, Siew told reporters on Saturday.

Crackdown on video piracy: Taiwan authorities began Friday an island-wide crackdown on video and laser disc movie pirates, seizing thousands of films from viewing centres which show them without copyrights, officials said, reports AFP from Taipei.

The action followed Washington's move to place Taiwan on a priority list under section 301 of the US Trade Act, accusing Taipei of tolerating piracy of intellectual property.

Energy price may rise 70pc May 10: Prices that Russians pay for energy are likely to rise 50-70 per cent May 10, below a hike in January, Russian Economy Minister Andrei A Netchaev said, reports Reuters from Moscow.

"I think now the increase in oil and gas prices will not be so much as it was in January because in January we had a big money overhang," Netchaev said.

OPEC pinches oil market a little harder

LONDON, May 3: OPEC pinched the oil market a little harder in April, cutting crude output to 23.29 million barrels per day (BPD) from 23.46 million in March, a Reuters survey of oil company officials, analysts and tanker monitors shows, reports Reuters.

A progressive reduction in output and rising oil prices will remove some room for discord when 13 members of the Organisation of Petroleum Exporting Countries meet in Vienna on May 20.

By then oil ministers will focus on setting output for the second half of the year rather than current performance, which slightly exceeds a 22.98 million BPD target set in February.

Oil prices are about two dollar above mid-February levels, with June delivery North Sea Brent trading at around 19.65 a dollar a barrel.

The flow could have looked even better if it had not been for the row over Libya's refusal to hand over two men accused of bombing a Pan Am airliner over Scotland, analysts said.

Iran, which was not tardy in cutting output to meet February's promises, came into line in April but his was countered by a slight increase in Libyan supplies.

Libya is concerned that a United Nations arms and air travel embargo might be extended to its oil trade.

"Libya is definitely selling a bit more, without a shadow of a doubt," commented one of its European customers. But analysts said rumours that Libyan supplies hit 1.7 million BPD in April seem high, with about 1.55 million a fairer estimate.

This is about 100,000 BPD more than in March and 150,000 higher than its OPEC share.

Iran, the groups second largest producer, curbed output in April to 3.20 million BPD, close to its 3.18 million share, from 3.39 million in March.

Saudi Arabia, producing more than a third of OPEC's total and one-eighth of world supplies, cut production to 8.05 million BPD from 8.22 million in March.

Many sources believe Saudi output was closer to 8.2 million BPD with around 150,000 to 200,000 BPD going into stocks.

Commodity prices: North Sea crude hits 4-month high, sugar and edible oils weaken

LONDON, May 3: The price of North Sea crude reached its highest level in four months, supported by prospects of better oil demand amid signs of a recovery in the world economy, reports AFP.

On the London Metal Exchange (LME), markets were weakened by strikes by German metal workers, which were expected to lead to a fall in European consumption of base metals. Germany alone consumes almost 11 per cent of world production of refined copper, according to GNI.

This was balanced by the threat of port strikes in Chile, the world's largest copper producer. Meanwhile delays in deliveries from Malaysia and Brazil supported tin prices.

Gold: Rally after weak start. Prices fell to their lowest level since April 1986, before recovering on short-covering before the May Day weekend. Andrew Smith, analyst with brokers UBS Phillips and

Drew, said the market had been affected recently by "consistent" selling, mostly by unidentified sources. This uncertainty has unsettled the market which fears more selling.

Smith predicted the market would remain slack until the summer, but added that the downside was limited.

Taiwan has lifted a 40-year ban on gold exports.

Silver: Rally after weak start. Prices continued their downward trend at first, and fell Wednesday before the fixing to their lowest level since December 1991. But they recovered ahead of the weekend after the publication of positive US economic indicators.

Platinum: Rally after weak start. Prices fell in line with other precious metals early in the week. But they also recovered after US economic statistics published Thursday were

viewed positive for metals used in industry.

Copper: Easter. Copper prices drifted lower as traders focused on mass strikes in Germany. However, fears that imminent port strikes in Chile, the world's largest copper producer, could disrupt Codelco's shipments of 65,000 tonnes/month gave some underlying support to prices.

Prices came under pressure as tens of thousands of German metal workers from the country's biggest union, IG Metall, joined nationwide strikes midweek, fuelling fears of reduced metal consumption across Europe.

Tin: Steady. Prices remained steady around 12-month highs, supported by tight supplies of physical metal due to delays in shipments from leading producers Malaysia and Brazil.

Traders noted that sellers were reluctant to emerge, fo-

cusing on strong fundamentals, with physical and technical tightness and waiting for prices to rally further, towards the 6,000 dollar/tonnes level.

LME stocks: fell 65 tonnes to 12,060 tonnes.

Aluminium: Easter. Aluminium fell to a five-week low following reports that US producers Alcoa and Reynolds were making progress in settling annual wage negotiations. Expectations of potential industrial action had shored prices up during recent weeks. Towards the weekend, prices began to turn up again, on reports that Yugoslavia's 93,000-tonne-per-year aluminium smelter at Mostar in Bosnia-Herzegovina has been shut for about one month, as a precautionary measure before fighting began in Mostar.

LME stocks: rose 3,875 tonnes to a new record high of 1,216,500 tonnes.

Sugar: Weaker after firm start. Prices turned down

Thursday, following reports that South Africa had bought enough sugar to cover its 1992 deliveries to Far Eastern customers South Africa's production has been hit by drought.

Prices were firm earlier in the week, due to increased activity on the physical market.

GNI said availability is good, and is likely soon to be boosted by fresh harvest supplies. They pointed to potential selling by Thailand, said that news from the Cuban harvest was likely to come through in the next month (and the crop may not be as low as originally expected) and added that it was not clear whether a vigorous new export drive in India would include sugar or not.

Vegetable oils: Weak. Most vegetable oils weakened on the European market this week on the back of Chicago, where expectations, of South American harvests arriving on the market depressed soya prices.

Palm oil was weakened by

uncertainty about the medium-term prospects. A US agricultural attaché in Kuala Lumpur predicted that Malaysia's palm oil exports could reach a record of 5.6 million tonnes in 1991-92, due to increased production, which was hit by dry weather in 1990-91.

The soya war between the European Community and the United States looked set to be relaunched after Washington told GATT members it would increase tariffs on one billion dollars worth of imports from the EC. This followed the ECS announcement that it was not yet prepared to change its policy of subsidies to oilseed producers.

Crude oil: Firm. North Sea Brent prices reached their highest level since December 1991, supported by increased buying by US refineries. Signs of recovery in the world economy also raised hopes of better demand for oil.

Prices started off strong,

supported by a strike by Norwegian shipping workers, which threatened to reduce the countries oil exports. The Ninons decided Wednesday to suspend their action, and the American Petroleum Institute (API)'s weekly statistics showed a rise in crude and refined product stocks in the United States. But these factors only prompted a short-lived dip.

Rubber: Easter after strong start. Prices were supported at the beginning of the week by the strength of the Malaysian ringgit against western currencies.

But profit-taking reduced the gains by the end of the week, before the May Day weekend. The Singapore market was closed Friday, London will be closed Monday, and Tokyo Monday and Tuesday.

Grains: Easter after firm start. Wheat and barley futures prices were supported at the beginning of the week by sterling's weakness against the

dollar. But they eased later in the week, due to fears of a renewed trade war between