

Britain cuts interest rates to boost economy

LONDON, May 6: Britain cut interest rates by half a percentage point on Tuesday in a move to help the economy out of its longest business recession since the 1930s, reports Reuters.

The Bank of England (central bank) cut its money market dealing rate signalling commercial banks to follow suit and cut base lending rates to 10 per cent from 10.5.

The reduction was the first since September 1991 and brought British rates to their lowest for four years.

It followed a general election victory for the ruling Conservative Party on April 9, after which the pound sterling strengthened on foreign exchanges.

Industrial unrest in Germany where public sector workers are on strike for higher pay, weakened the mark and helped pave the way for lower British rates.

Lower interest rates make it cheaper for business and consumers to borrow.

Analysts said Prime Minister John Major's government also hoped the latest move would help revive Britain's depressed housing market, where the high cost of home loans has led to record numbers of house repossessions by lenders.

Within minutes of the Bank of England move, one of the biggest mortgage (home loan) operators, Abbey National, said it would cut its interest rates.

Britain hiked interest rates in the late 1980s to half a credit-fuelled consumer boom which led to high inflation.

Rates peaked at 15 per cent in October 1989 and were held at that level for a year. Most subsequent falls have been half a percentage point.

First American Bankshares Inc moves to break with BCCI

WASHINGTON, May 6: The Washington area's largest bank, First American Bankshares Incorporated, announced Tuesday it was taking steps to break from the disgraced Bank of Credit and Commerce International (BCCI), reports AFP.

A special shareholders meeting has been called for May 12 to vote on setting up a trust for BCCI-owned First American Shares, said Iris Wordsworth, a First American First Vice-President.

The meeting will take place in Curacao, the Netherlands Antilles, where First American's parent company is based.

"We view this as a very positive development for First American," said George Davis, the bank's president. "It will sever once and for all any perceived ties between BCCI and First American, and help return public confidence in the First American banks."

The Federal Reserve revealed last year the BCCI used front men to secretly buy First American, causing nervous investors to pull two billion dollar in deposits.

BCCI also pleaded guilty to federal racketeering charges earlier this year and, as a penalty, forfeited 550 million dollar in assets.

Azerbaijan gets IMF seat

WASHINGTON, May 6: The International Monetary Fund (IMF) approved membership for Azerbaijan on Tuesday, the last of the former Soviet republics to be accepted into its fold, reports Reuters.

The IMF and World Bank had accepted Russia and most of the other former Soviet republics as members during last week's semi-annual meeting.

Miracle in the making in India, Wall Street Journal told

Rao rules out reversal of economic policies

NEW YORK, May 6: The Prime Minister PV Narasimha Rao, said that there is not going to be any reversal of the direction of the economic policies that the country is now following, reports PTI.

Referring to the efforts being made by the government to modernise the country's economy, Rao said private enterprise is something very known to the Indian people for centuries.

"Nothing is easy. But if you have the will and perhaps the support of the people, which we have in ample measure, nothing is impossible," Narasimha Rao told American financial newspaper, The Wall Street Journal.

The Prime Minister said he would like to be known as 'Development Prime Minister' and the paper said Rao has

done much since he came to power in June towards earning development laurels.

"If he can keep up the momentum, his programme will change the face of Asia," the paper said.

Rao said he is trying to solve the country's problem in integrated manner with a policy 'package'. He declined to say what would come next, pointing out that it is 'still evolving'.

Stating that average income has been 'choked' by years of command economy regulation to some 350 dollar per year, the paper quoted a western diplomat as saying, 'let India breathe and you have an economic miracle in the making.'

Reuters from New Delhi earlier added: India's industry is sputtering along the road to economic reform, steering

through the potholes of high costs, imbalances in the farm and financial sectors and an inefficient public sector, analysts said.

"The reforms were never meant as a solution to immediate problems but as a long-term change of the system," said DH Pal Panandiker, Secretary-General of the Federation of Indian Chambers of Commerce and Industry (FICCI).

"They will take one to two years to make a visible difference," he told Reuters on Tuesday.

Industrial output would grow a maximum four per cent in 1992/93 (April/March), Panandiker said, adding that he estimated it shrank three per cent in the first quarter of 1992/93.

Output shrank one per cent

in 1991/92 after imports were severely restricted to prevent any worsening of the balance of payments problem. Industry grew 8.5 per cent in 1990/91.

A poor monsoon could lower harvests, push up prices further and force industrial output to decline for a second year, he said.

Economists have hailed the reforms, including the freeing up of most industrial licences, but say structural imbalances have not been addressed while agriculture has been neglected.

"The main problem today is the imbalance of prices," said Panandiker.

"There has been a transfer of purchasing power from the non-farm sector to the farm sector. Urban consumers are squeezed," he said.

Poorer harvests in recent months are fuelling inflation,

while farmers are bypassing state buying agencies or holding back stock to obtain higher prices, dampening consumer spending crucial for industry's survival.

Agriculture accounts for about one-third of Gross Domestic Product, and industry about 26 per cent. India's GDP is recast to grow about four per cent in 1992/93 against 2.5 per cent in 1991/92.

Since launching the reforms last July, the government of Prime Minister Narasimha Rao has not yet tackled agriculture reforms because, as FICCI's Panandiker says, India has 'looked upon agriculture as a way of life.'

Manashi Roy, of the Confederation of Indian Industries, said industries were finding it difficult to finance expansion

as the economic reforms had not fully extended to the finance sector.

Farmers are not encouraged to merge their plots of land, making economies of scale and mechanisation unattractive, economists say.

With inflation riding at 13 per cent, Indian interest rates are hovering around 19 per cent, compared to an average of about 12 per cent in the 1980s.

"We are facing a dilemma. We have to lower interest rates to boost industry but that would also fuel inflation," said economist TK Bhaumik, said economist of Haryana, Delhi Chamber of Commerce and Industry.

Cash and statutory reserve requirements immobilise about half the deposits in Indian banks, Bhaumik said.

Lanka chooses 12 private cos to manage state firms

COLOMBO, May 6: The Sri Lanka government has selected 22 private companies to manage its state-owned tea, rubber and coconut estates, the Plantations Ministry said on Tuesday, reports Reuters.

Each company will manage 15 to 25 of the 449 estates owned by two state corporations, the Janatha Estates Development Board and the Sri Lanka State Plantations Corporation.

The two corporations have been running the plantations at a loss and have been heavily subsidised for several years.

"The plantation sector can and must generate profits which can be used by the government for the benefit of the people," the ministry said in a statement.

The private companies will be supervised by regional management enterprises administered by a government-appointed board of directors, it said.

The companies will work on a profit-sharing basis and no present employees will lose their jobs.

Opposition politicians are against the management move saying ownership would be handed over to private companies once the estates make profits.

Many of the management companies ran estates in the 1970s before the day government nationalised plantations.

Rubber remains surplus in market

LONDON, May 6: Rising production and falling consumption returned the natural rubber market to surplus last year, according to figures released Tuesday, reports AP.

The International Rubber Study Group reported that world production rose to a record 5.38 million tons in 1991 from 5.21 million in 1990, while consumption dropped to 5.23 million from 5.24 million.

Indonesia, Thailand and India all achieved record production levels last year, while a fall for Malaysia took it down from first to third place in the world output league, according to the London-based inter-governmental agency's figures.

Its 1991 production figures, with 1990 comparisons in parentheses, include Thailand 1,373 million tons (1,271 million), Indonesia 1,352 million (1,262 million), Malaysia 1,253 million (1,292 million), India 380,200 (323,500), China 269,000 (264,200), Nigeria 161,000 (152,000), Philippines 156,000 (168,000), Ivory Coast 76,000 (69,200), Vietnam 64,000 (60,000) and Brazil 35,000 (33,000).

Cuban economy improves, says official

MEXICO CITY, May 6: A senior Cuban official says the island's communist economy is showing signs of improvement, newspapers reported Tuesday, reports AP.

But Carlos Lage, the minister in charge of the economy, also told foreign reporters in Havana that Cuba's ability to import goods fell by 58 per cent after 1989, when the socialist bloc began to crumble.

His remarks Tuesday were reported by the Mexico City dailies Excelsior and La Jornada.

Cuban officials have ordered deep cuts to cope with loss of aid and trade with the former Soviet bloc, while vowing to stick to their hard-line Communist system.

Cars gave way to bicycles and tractors to oxen. Many factories cut working hours or closed altogether. Store shelves are nearly empty. Food prices are up.

Lage declined to give overall economic data, citing US efforts to undermine Cuba.

India to boost tourism

NEW DELHI, May 6: The Indian government has announced in parliament a national action plan for tourism aimed at boosting both domestic and foreign tourism, local press reported Wednesday, says Xinhua.

The plan will liberalize rules, create support facilities and special areas and diversify the product so as to double the tourist earnings and employment by the year 2000.

The plan encourage private investment, both domestic and foreign, for an accelerated growth of tourism.

Under the plan, India's share in world tourism will increase from the present 0.4 per cent within the next five years.

The document said that the direct and indirect tourism-related employment in the private and public sectors will be up from the present 14 million to 28 million by the year 2000.

The annual foreign tourist arrival in India in recent years is around 1.3 million, according to the official statistics.

Japanese Bank to lend China \$5.2 b

TOKYO, May 6: Japan's Export-Import Bank is preparing to extend 700 billion yen (\$5.2 billion dollar) in untied loans for energy projects in China, a bank official said Tuesday, reports AFP.

A memorandum of agreement is to be signed in late June, although the lending period and choice of projects to benefit from the loans have yet to be decided, the official said.

The bank's deputy governor Akira Aoki, who is attending the Asian Development Bank's general meeting in Hong Kong this week, announced the planned loans there early this week, the official added.

Hanoi launches 10,000-dong note

HANOI, May 6: Vietnam's central bank Tuesday put into circulation a 10,000-dong note that will make cash transactions easier in the face of inflation and currency depreciation, reports AFP.

The bank's Deputy Governor, Do Que Luong, quoted in the official press, said the move would have "no effect on rising prices."

Pak MPs under fire for rise in perks

ISLAMABAD, May 6: Pakistan's legislators came under strong criticism on Tuesday for starting a belittling budget session by doubling their pay packets and giving themselves tax-free cars and a string of other benefits, reports Reuters.

"Each member of the house was determined to ensure that he gained more for himself out of whatever remains in the national coffers," the news said in an editorial.

Newspaper editorials accused members of the national assembly, Pakistan's lower house, of being dishonest, greedy at the expense of poor masses and engaging in political blackmail.

The administration has avoided for far too long the need to target major markets for government procurement opportunities — the EC, the Japanese and other markets," Gephardt said.

The hearing was held by the subcommittee on legislation and national security of the Government Operations Committee in the House of Representatives.

The chairman, Rep John Conyers, Jr questioned why the President's report did not also identify the Japanese government as discriminatory.

"How can this be overlooked given the justifiable complaints of US telecommunications industry — and Japan's own evidence,

All slam US stance of ADB fund

HONG KONG, May 6: The United States emerged isolated within the Asian Development Bank (ADB) Tuesday, imposing tough conditions on a future capital increase and main training its inflexible policy on resumed lending to Vietnam, reports AFP.

At the risk of raising questions about its future commitment to the Asia-Pacific region, the Americans — the biggest shareholders in the ADB along with the Japanese — outlined a doctrinaire approach to development aid.

Olin Wethington, Assistant Secretary for International Affairs at the United States Treasury found little support among other shareholders at the Bank's annual meeting in Hong Kong. Indeed, many members expressed opposing views.

The official told delegates from the 52 member countries that an increase in the Bank's ordinary capital resources, "should await the formulation of a clear and effective strategy" for encouraging private-sector development.

But other major shareholders — notably China, India, Australia, Indonesia, Canada, South Korea and Germany — said the Bank, which focuses on public-sector lending needs to boost resources to meet development needs.

Other big donors, including France and Britain adopted a similar position.

Wethington, referring to "these times of constrained budgets" and the need to support the private sector, said it was "essential that the Bank assess its strengths and target its lending" on those

areas where it can do the most good.

He later told a news conference that Washington was "not convinced there is a case to proceed immediately on negotiations for capital resources."

The Manila-based bank, which is marking a quarter of a century of operations this year, will reach a limit on new lending in 1994 given its current capital resources of 24 billion dollar.

ADB president Kimimasa Tazumizu, who like all past presidents is Japanese wants to boost the resources of the regional development bank by between 25 billion dollar and 30 billion dollar over the next five years.

Many donor countries expressed outright opposition to Washington making any future increases in capital conditional upon new private sector policies.

"My country doesn't regard it as a primary objective of development banks to make direct loans to the private sector," said Anne Le Lorier, a Sub-Director at the French Treasury in charge of debt and development.

"The Bank's attitude towards the private sector should remain cautious," Australia's Trade and Overseas Development Minister John Kerin took an even tougher stand against the American approach.

"We do not agree with those who make a belief in the private sector almost a religion. Developing countries themselves must create the right economic environment for the private sector" he said.

One European delegate expressed similar views. "The radicalism of the American

speech is frightening even if most members now agree to encourage private-sector forces," he said.

Although some donors such as Japan expressed support for increased lending to the private sector, they said this should take place in the context of expanding the Bank's capital resources.

The position of Japan's Finance Minister Tsutomu Hata was echoed by the German and Canadian governors as well as the British, although their stance was slightly more reserved.

People's Bank of China Governor Li Guixian said boosting resources, was crucial to future ADB activities.

At the news conference, Wethington, said it was "essential" for Vietnam to resolve the issue of Americans missing in action from the Vietnam War before the country qualified for resumed ADB lending.

At last year's annual meeting of the International Monetary Fund in Bangkok, the United States was along in opposing resuming aid to Vietnam.

A senior Vietnamese central bank official said earlier the treasury was still exerting pressure on foreign banks doing business with Vietnam.

Nguyen Cong Hai, Director of the foreign department of the State Bank of Vietnam said there had been "no change" in the policy of viewing dollar transactions as a violation of Washington's trade embargo against Hanoi.

Many delegates said the tough American stand partly reflected the election year in the United States.

Strike spreading in Germany

BONN, May 6: Striking public employees virtually halted air traffic to and from Germany and unions kept pressure on the government a day before pay talks were due to resume, reports Reuters.

All domestic and international flights were cancelled at Frankfurt airport, continental Europe's busiest hub, after security staff, firemen and baggage handlers began a 24-hour work stoppage at midnight yesterday.

The largest public sector union OETV called 275,000 members out on strike, the most so far in the nine-day-old strike of thousands from other public sector unions joined them.

The OETV said the strike in Frankfurt would end at midnight but action would continue at Duesseldorf and Berlin airports. A decision on other airports would be made today.

Around 45,000 workers in the metal and engineering sector staged token warning strikes in support of their 9.5 percent pay claim. If pay talks fail, the giant IG Metal Union could call a strike ballot of members on May 12.

OETV leader Monika Wulf-Mathies said the public sector strike would continue even though employers had

promised to present an improved pay offer on Wednesday.

"The strike has worked. The employers are returning to the negotiating table," she said in Hagen. "The strike will continue until we have an acceptable result."

Public employers have said they will increase their 4.8 per cent pay offer, raising hopes that the strike could soon be settled. Unions are demanding 9.5 per cent.

The Berlin newspaper BZ, quoting government sources, said lower-paid workers would be offered a 5.4 per cent increase while the better-paid would get around four per cent, but Finance Minister Theo Waigel today hinted that he feared the eventual pay settlement could be higher than Germany's economic position justified.

Outlining new budget figures to members of parliament, he said all social groups had to be prepared to accept lower growth in incomes as a contribution to economic growth in East Germany.

"A solidarity contribution is also called for from those in employment in the West, although it is doubtful if the forthcoming pay settlements will create the appropriate ba-

sis for this," Waigel said.

Waigel announced what he called "iron" cuts in public spending intended to bring soaring budget deficits caused by German unification under control.

The federal budget deficit will fall to around 40 billion mark in 1993 from less than 45 billion mark projected for 1992 as a result of savings and extra tax receipts, he said.

Waigel said he was sticking to his goal of cutting the deficit to 25 billion mark by 1995. Growth in federal spending will be limited to 2.5 per cent per year until 1996 — meaning that spending will fall in real terms.

Government subsidies to the Federal Labour Office, which pays unemployment benefit, will be scrapped. And no new government spending will be allowed until 1994 unless it is offset by cuts in other areas.

Waigel said this could mean plans to reform the railways or finance long-term nursing for the chronically ill being postponed or cut back.

"The political room for manoeuvre will remain tight in the coming years," he said, adding that if spending was effectively curtailed, no increases in taxes would be necessary.

Business briefs

Record sugar output in UP: A record sugar production from 29.77 lakh tonnes in 1990-91 to 32.87 lakh tonnes in 1991/92 was achieved by Uttar Pradesh, contributing 30 per cent in total sugar production in the country, reports PTI from New Delhi.

Free trade of rouble from July: Russia intends to allow the rouble to trade freely against other currencies from July and will move to fixed rate for the currency a month later, a senior Russian government official said on Tuesday, reports Reuters from Moscow.

US questions lending policy to China: A senior US official questioned the Asian Development Bank's lending policy to China, saying Beijing is increasingly able to borrow commercially on world markets, reports Reuters from Hong Kong.

Assistant Secretary for International Affairs at the US Treasury, Olin Wethington, told the ADB's annual meeting: "Should the Bank continue current levels of lending to countries with high current account surpluses or high levels of reserves?" Washington is embroiled in a long-running trade wrangle with Beijing.

LA looters voluntarily returning stolen goods!

LOS ANGELES, May 6: In a wave of post-riot remorse, hundreds of people who apparently feel guilty about joining in the looting frenzy that accompanied three days of racial violence in Los Angeles are now voluntarily returning the goods they snatched, reports Reuters.

Luxury sofas and expensive television sets are appearing on the streets in some neighbourhoods where police have put out the word of a virtual amnesty for returned merchandise.

"If they tell us, they get a free ride," police Sergeant Paul Anderson said. "If we find them, we arrest them." The three days of violence and looting, which killed 58 and caused an estimated 717 million dollar in property damage, was sparked by the acquittal of four white policemen in the videotaped beating of black motorist Rodney King.

As police search homes and retrieve truckload after truckload of stolen goods, neighbours are snatching on neighbours who went on stealing sprees after riots broke out last Wednesday.

Many, it seems, do not like seeing the looters flaunting their new stereos, plus furniture

and bikes.

"I found it in the street" is the most common explanation police are hearing when they find apartments crammed with looted goods.

One man was reported to have turned over a high-priced, video cassette recorder to police, saying he simply could not figure out how to make it work with his old television set.

Acting on tips from residents and shopkeepers, teams of police officers have descended on scores of flats, finding furniture with protective cardboard still on it, microwave ovens with price tags attached and designer clothes with anti-shoplifting devices intact.

Many residents, seeing the officers scouring through their buildings, have readily handed over ill-gotten goods or anonymously pushed them into hallways.

Others are taking advantage of Cardinal Roger Mahoney's appeal for looters to return stolen goods to Roman Catholic churches, no questions asked.

In some cases, police have to make tough judgement calls.

In one apartment, officers found a large, new-looking Sony TV and a stacked stereo system in a glass case. A teenage girl insisted her mother bought it last year.

"Show me how it works," one officer ordered. The girl turned it on, passing the test.

In a raid on a north Long Beach apartment block, police arrested 10 people and found 35,000 dollar worth of merchandise, including a washer and dryer, a stove and a refrigerator.

But the trend has its limits. Police admit they have recovered only a small part of the looted goods and arrested only a fraction of the thieves, the city's jails are packed with more than 9,000 suspects arrested during the riots.

After riots erupted, thousands of black, white and Hispanic residents of the city's poor neighbourhoods poured into the streets and joined in a rampage of looting and arson.

An almost festive atmosphere prevailed as entire families rushed into stores and shopping centres, loaded up garbage bags and shopping carts and carried away everything in sight.

For the first day and a half, police were no where to be seen.

The looting died down on Friday night, and only scattered incidents have been reported since.

AP adds: The riots that ravaged areas of the city last week also jarred California's already shaken economy, said business and political leaders who disagreed about the prospects for rebuilding it.

Huge numbers of businesses and residents have volunteered help in rebuilding areas of the city ravaged by last week's riots, but a strategy for channeling the aid hasn't been worked out.

"One of our goals is to convert those wonderful, heartfelt outpourings to long-term change," said Peter Ueberroth, former baseball commissioner and Los Angeles Olympics chief heading rebuilding efforts.

Ueberroth said at least 25,000 jobs were lost in the riots, probably far more.

He said he has been talking with retail, transportation, ho-tel, light manufacturing and other business about creating long-term jobs.