

1992-93 budget that backs reforms effected

Indian parliament okays finance bill

NEW DELHI, May 12: The Indian parliament has approved a crucial finance bill that gives effect to the 1992-93 fiscal budget (April/March), considered vital to back last year's economic reforms, reports Reuters.

The upper house approved the bill by a voice vote rejecting all 25 amendments suggested by members. The lower house had already passed it last week.

With both houses of parliament passing the finance bill, the budget becomes effective.

The first budget by Prime Minister PV Narasimha Rao's minority government since it assumed power last June, it allowed some free trade in the rupee, cut Tariffs slashed trade rules, legalised gold imports and simplified taxation.

Analysts said the budget, coming in the wake of the economic reforms launched by Rao's government in July last year, is a pointer towards an open market economy.

The parliamentary passage of the budget also means an approval for the government's economic reforms, which evoked strong protests from communist and other left-wing parties.

Rao's government sailed through because of division of votes within the opposition. The right-wing Hindu revivalist Bharatiya Janata Party, (BJP) the main opposition group supported the economic reforms and the budget on a selective basis.

The budget debate became often noisy with opposition members accusing the gov-

ernment of colluding with the World Bank and the International Monetary fund (IMF) on the proposals.

The budget showed a fiscal deficit of around five per cent Gross Domestic Product (GDP), a key lending condition of the IMF. The deficit was estimated at 344 billion rupee against 377 billion in the previous year.

India raised four billion dollar from the IMF and the World Bank in 1991/92.

During the debate in the upper house, Junior Finance Minister Rameshwar Thakur rejected a member's demand that income tax be replaced by expenditure tax.

Thakur said this experiment had been done earlier and was found to be impracticable.

He also rejected the demand for further raising the limit for income tax exemption as it had already been raised.

Police probe into stock scandal

Another report adds: Indian Finance Minister Manmohan Singh said on Monday he had ordered a police inquiry into the involvement of three state-run banks in a major stock market scandal.

He told parliament the central Bureau of Investigation (CBI) the federal police organisation, would investigate loans from the banks to a big Bombay stock broker accused by news papers and opposition politicians of manipulating the market for profit.

"We will take whatever fol-

low-up action is required," Singh told opposition members demanding immediate arrests and trials. "They alleged that up to 25 billion rupee (nearly dollar one billion) was involved in the scandal already being investigated by the Reserve Bank of India, the central bank.

They demanded the arrest of Harshad Mehta one of the biggest players on India's biggest bourses who has been named in newspapers as well as in parliament as the recipient of dubious loans from the three banks.

Mehta has refused to speak to journalists since his alleged involvement in what Indian newspapers call "the stockscam" emerged.



RAMBO RUSH: Youths taking a quick look at a poster on Monday outside the Pamir Cinema in Kabul where the Hollywood blockbuster film Rambo III is being featured. The film, starring Sylvester Stallone as a former Green Beret fighting with the Mujahedeen against Soviet troops in Afghanistan, played to a packed house as a ceasefire continued to hold between rival Mujahedeen groups. — AFP photo

Cut in defence spending ruled out

Pak budget aims to hook wealthy tax dodgers

ISLAMABAD, May 12: Pakistani Prime Minister Nawaz Sharif has pledged his government's annual budget this week will target wealthy tax dodgers, reports Reuters.

His 18-month-old government has vowed to try to reduce the deficit by increasing tax revenues in its second budget on Thursday. But it is not clear if it will also meet its western aid donors' demand to cut the defence budget.

Donors who have pledged to give Pakistan dollar 2.3 billion in new aid want it to reduce the fiscal deficit by increasing revenue efforts and limiting defence and other non-development spending.

Pakistan says defence will remain its top priority so long it feels a military threat from its traditional foe, India.

Therefore nobody should expect us to go for any reduc-

tion in the defence budget," Defence Production Minister Hazar Khan Bijrani said in an interview.

"Look at how India is acquiring all kinds of deadly weapons by spending huge amounts of money."

The two have fought three wars since their independence from Britain in 1947. Tension continues along their common borders over New Delhi's charges that Pakistanis helping a secessionist movement in its northern states of Kashmir and Punjab.

The donors insist substantial funds must be allocated to long-neglected social sectors like health and education.

The government's policy-making National Economic Council last week approved a special three-year 53 billion rupee Social Action Progra-

mm, for which the government says the donors have promised to contribute dollar 500 million (12.5 billion rupee).

The purpose of the programme is to alleviate poverty and provide special services in the fields of health, education and women's development, specially in rural areas.

Sharif has warned the country that the budget for fiscal 1992/1993 beginning on July 1 will be tough.

"Hard times are ahead," Sharif said in a televised speech last week as he promised to bring budgetary measures to retrieve the country from what he called an economic whirlpool.

"Emphasis will be put on broadening the tax base, rather than increasing the tax burden," to increase the tax yield

and revenues," he said.

"Taxes would be levied on high-income groups who earn enormously but do not pay a single penny as tax," Sharif said.

But no government has yet dared impose income tax on agriculture in Pakistan. Where politics is dominated by big landowners.

Sharif put the country's total debt burden at 900 billion rupee and said: "At present the real situation is that the revenue generated from tax collection is not even sufficient to meet the requirements of defence and debt repayments."

Sharif's government has borrowed 87 billion rupee from the State Bank of Pakistan in less than two years, former SBP Governor VA Jafarey says.

All previous governments borrowed a total of 138 billion

rupee from the SBP since the creation of Pakistan in 1947.

Government spokesmen put the deficit in fiscal 1991/92 at 27 billion rupee, 6.1 per cent of the Gross Domestic Product. But private economists say the figure could be much higher.

The budget deficit in fiscal 1990/91 was 8.8 per cent of the GDP.

Even the officials figure does not meet the target of bringing the deficit down to 4.8 per cent of the GDP which the IMF had set as part of its conditions for helping Pakistan.

But Finance Minister Sartaj Aziz says the IMF is reconciled to the higher deficit which he blames on an increased use of foreign aid, a world slump in cotton and year prices and a resulting fall-off in revenues from export duties.

BCCI creditors get time to battle for better deal from Abu Dhabi

LONDON, May 12: Creditors of the collapsed Bank of Credit and Commerce International (BCCI) will use a month's adjournment granted by Britain's high court to negotiate better terms from the bank's Abu Dhabi majority shareholders, financial and legal sources said, reports Reuters.

The judge, Vice Chancellor Sir Donald Nicholls, agreed to the British Creditors' Committee request for a delay in court approval of a compensation plan put forward by the Bank's liquidators, accountants Touche Ross, and Abu Dhabi.

The creditors said they wanted "clarification" from Abu Dhabi on terms proposed to compensate depositors.

BCCI was closed down in major centres on July 5 last year after allegations of massive fraud.

Touche Ross and Abu Dhabi have proposed a dollar 1.7 billion scheme which could pay 30-40 per cent of creditors' claims. But it involves creditors waiving all legal action against the Gulf state.

Abu Dhabi said in statement after the hearing: "Our proposals offer creditors the opportunity to limit their losses and represent the only prospect of their receiving an early payment from the liquidators."

It regretted the delay.

A source close to the talks between Abu Dhabi and creditors said creditors would use the time to argue for better terms.

"Abu Dhabi and the liquidators grievously underestimated the strength of creditors' feeling," said the source, who declined to be identified.

Creditors want Abu Dhabi to raise its cash contribution to the pooled assets which would repay depositors. The rest of the pool would be made up of asset sales in the liquidation.

Worldwide liquidator, Brian Smouha, who negotiated with Abu Dhabi has said the terms were the best possible and did not represent a negotiating stance.

But creditors believe the liquidator was too keen to accept Abu Dhabi's cash offer on a view that creditors would accept it without demur.

Creditors have now signalled they want better terms through the diplomatically worded request for "clarification," the source said. They want to negotiate with Abu Dhabi directly.

This morning's adjournment is the second in two months.

Last month, the creditors won an adjournment to get more information out of Abu Dhabi and to appoint a legal adviser.

At April's hearing, liquidators argued that any delay could jeopardise a tight schedule of court hearings in Luxembourg and the Caymans, where BCCI had head offices.

The liquidators warned that failure to adopt the compensation scheme would lead to years of litigation, with no certain prospect of payment in

this century.

A source close to Abu Dhabi said: "there are only two options, settle and adopt the plan or everybody uses everybody else."

Order to Noriega

AFP from Panama city adds: A court has ordered ousted Panamanian leader General Manuel Antonio Noriega to return 30 million dollar he illegally deposited in the disgraced Bank of Credit and Commerce International BCCI.

President Guillermo Endara said Monday that a court in London ordered Noriega to return the money to the Panamanian government on May 6.

Panama had filed a lawsuit a year ago to recover some 23 million dollar in public funds deposited by Noriega at a BCCI branch in London.

The money was deposited in the name of the Findlay International Company, controlled by Noriega and Arab Banker Ali Akbar, BCCI's former finance chief.

BCCI's operations were suspended worldwide about 10 months ago amid fraud charges.

Endara said the British government also intervened on Panama's behalf in a case involving another company in which Noriega had held interest, Capcom S.A.

The government is seeing to recover more than 200 million dollars it estimate Noriega deposited in European and US banks.

Rise in US wheat crop predicted

WASHINGTON, May 12: The US government on Monday predicted a US winter wheat crop almost 20 per cent above last year's level, but analysts said the increase would likely be tempered by bad weather since the beginning of the month, reports Reuters.

Based on surveys as of May 1, the US Agriculture Department forecast the winter wheat crop — which accounts for 75 per cent of total US wheat output — at 1.618 billion bushels, up 18 per cent from 1991's 1.372 billion bushels.

The USDA raised its estimate of the 1992-93 total grain crop for the Commonwealth of Independent States and Baltics and predicted that the former Soviet States will be able to cut grain imports by 11.5 million tonnes from last year.

Privatization in S Asia questioned

NEW DELHI, May 12: Developing South Asian countries should not blindly follow the globalization of the market economy advanced by the developed countries, said a leading Nepalese economist, reports Xinhua.

The South Asian nations must evolve a regional solution for their economic development, local press Tuesday quoted economist Duvendra Raj Pandey, who was a former Finance Minister of Nepal, as saying at the just-concluded three-day seminar on development of South Asia held here.

The vision of a globalized economy suffers from distortions created by the industrialized North, the perpetrators of economic liberalization and promoters of unrestricted trade

themselves, the economist said.

He noted that due to protectionism in the developed countries, the developing countries suffer a potential loss of at least 50 billion US dollar from textile exports, 100 billion dollar from farm exports, and an additional 50 billion dollar on trade in services.

It the most advanced countries in the world continue to need safeguards, how can it be possible for the South Asian economies to surrender all important economic decisions to the market forces? Pandey questioned.

He said that relevant instruments of global policies should be integrated within a South Asian development perspective that responds to local, national and regional conditions.

Round was vital for injecting some life into the community's flagging economic growth.

Big rise in EC budget opposed

AFP from Brussels adds: Leading EC ministers are increasingly reluctant to go ahead with major new increases in Community spending called for by European Commission President Jacques Delors, diplomatic sources say.

A majority of the 12 European Community foreign ministers, who met here informally on Monday, are worried about the ambitious nature of the so-called "Delors package," which would boost the EC budget by more than 30 per cent between next year and 1997, a British diplomat said.

The planned increase would take total EC spending from 66.5 billion European currency units (83 billion dollar) this year to 87.5 billion Ecus (109 billion dollar) in 1997.

A substantial chunk of the new spending would be on programmes to try and redistribute wealth towards the community's poorer members.

The commission which is the community's executive arm is proposing to channel 10

Apple becomes multilingual

SAN JOSE (Calif), May 12: Apple Computer, Inc went multilingual Monday with the introduction of software to let machines use dozens of languages, reports AP.

Apple Chairman and Chief Executive John Sculley announced, WorldScript at the company's annual Worldwide Developer Conference, a week-long gathering of more than 4,000 high-tech engineers and executives from 30-plus countries.

"It's the first global-ready release of software," Sculley told the developers. "You'll now have access to global markets."

Kuwait wants contractors to reinvest their income there

KUWAIT, May 12: Kuwait said contractors rebuilding the country should accept offset deals committing them to reinvest earnings here or to work with Kuwaiti investors abroad, reports Reuters.

The government said in a statement on Sunday night that Finance Minister Nasser Abdulla Al-Rodhan had been authorised to "take all needed measures to implement this programme".

Investment experts said the government and major investment companies want to encourage the public and private sectors in Kuwait to take part in a possible 40 billion dollar offset programme over the next five to 10 years.

GATT talks may roll into 1993

ALVOR (Portugal), May 12: European Community President Portugal said failure to break a stalemate in GATT world trade talks by the end of June would delay the whole process until 1993, reports Reuters.

"There are two opportunities — by June or in 1993, after the US presidential elections," Portuguese Trade Minister Fernando Faria de Oliveira said in an interview.

He said there would be a final diplomatic offensive to end the impasse over the Uruguay Round of GATT (General Agreement on Tariffs and Trade) negotiations before the end of May.

"In the next weeks there will be a big push to unblock the impasse ... between the United States and Europe" Faria de Oliveira said.

The EC and the US have brought the 5 1/2-year-long talks on liberalising world trade to a standstill by wrangling proper cuts in subsidies paid to farmers.

Faria de Oliveira said there would be intensive contacts between US, EC and Japanese officials in the coming weeks.

EC finance ministers meeting in Oporto this weekend said conclusion of the Uruguay

billion Ecu (12.5 billion dollar) more to the four poorest states, Greece, Ireland, Portugal and Spain over the next five years as part of a fund aimed at ensuring cohesion between the 12 states.

Scepticism is growing about the possibility and the advisability of spending so much money, the British diplomat said.

Several countries, notably Britain, Germany and the Netherlands, have said it would serve no purpose to launch any such programme before 1994, when economic integration between member states will have progressed further.

Germany, which is facing problems due to the huge cost of its reunification, has said it could agree to an earlier start, but would not endorse a single Ecu of extra spending on the programme next year.

Another term for Delors opposed

Another Reuters despatch says: A meeting of European Community foreign ministers turned sour as Denmark threatened to veto a new term for European Commission President Jacques Delors.

billions, and the governments that endorse them, have nothing to lose if adverts vanish, whereas the private companies rely on advertising to cultivate a brands image that will help win smokers over to their more expensive products.

The private companies are pouring manpower and funds into lobbying government and politicians, seeking to discredit the seven states which back the ban.

The companies also fear their interests could be badly damaged by national advertising bans, even if there is no community-wide ban.

Italy and Portugal already have total bans on tobacco advertising. France joins them next year and Spain is preparing a similar move.

If these countries were to bar publications from other EC

Dollar design wide open to counterfeit operation!

WASHINGTON, May 12: The Chairman of the House of Representatives Banking Committee urged the Treasury on Monday to revise its currency design, which he said is wide open to the most sophisticated counterfeit operation ever seen, reports AP.

Rep. Henry B. Gonzalez told the House that recent changes in US notes, including security strips inserted in 100-dollar bills, are inadequate.

The Treasury began modifying 100-dollar bills last summer in an effort to prevent counterfeiters from duplicating them with state-of-the-art colour copiers and other equipment.

The new bills virtually duplicate the old ones — they continue to bear the portrait of Benjamin Franklin, for example — except that they contain the security strip and a microscopic line of type.

Japanese corporate profits dip

TOKYO, May 12: A deluge of Japanese corporate earnings reports this month is likely to show up the sharpest profit declines since the 1974 oil crisis, but market pundits hope share prices have already discounted the bulk of the bad news, reports Reuters.

Investors are instead looking to see what forecasts firms announce for clues to this year's profit outlook.

"There won't be any good news, but no one is expecting any, so it's probably mostly discounted," said Kenzo Doi, head of investment information at Kokusai Securities Co Ltd.

A delay in domestic and overseas economic recoveries and continued fallout from the bursting of Japan's "bubble economy" which saw share and property prices soar in the late 1980s have already forced many firms to slash initial earnings forecasts for the year to March 31, 1992.

Market analysts expect current profits at major non-financial firms to have fallen around 15 per cent in 1991/92 from the previous year, when profits dropped about two per cent.

Manufacturers such as car makers and electronics firms

have been especially hard hit. Expected losses at most of the nation's brokerages would push the numbers down even further.

However, the gloomy predictions are already mostly reflected in share prices, the analysts said.

Tokyo's key Nikkei share average touched a year's closing low of 16,598.15 on April 9, nearly 60 per cent off its December 1989 record closing high.

Cautious optimism that the market has touched bottom has brought share prices up from the April low. The Nikkei closed up 232.14 points, or 1.26 per cent, at 18,608.09 on Monday.

The stock market's woes have dragged on corporate balance sheets, forcing hundreds of companies to post losses from trading marketable securities in 1991/92.

"Everyone will be looking at the forecasts for this year and for signs among individual companies that they have not yet dealt with their securities losses," Doi said.

Robert Feldman, economist at Salomon Brothers Asia, agreed: "The real question is

what happens in the current fiscal year."

Private think tanks in March forecast that corporations' current profits in 1992/93 were likely to fall again, but by far less than in the previous year.

Nomura Research Institute forecast an average 4.4 per cent drop in current profits in the year to March 1993 against and expected 18.9 per cent decline in 1991/92.

Whether or not the corporate profit decline tapered off as expected depended mostly on whether or not the economy picks up in the second half of this business year, analysts said.

"If we get a few more encouraging signs on the economic front, there is potential for as second half earnings rebound, especially since the base is so low after a two and a half year drop," said Jeff Bahrenburg, strategist at Merrill Lynch Japan.

Bank of Japan Governor Yasushi Mieno told businessmen on Monday Japan's economy was now facing its toughest period, but said that he saw the economy heading toward sustained growth once the current inventory drawdown ends this autumn.

Giving up tobacco ad harder than giving up smoking!

BRUSSELS, May 12: The European Community is finding that giving up tobacco advertising is somewhat harder than giving up smoking, reports Reuters.

A year ago the European Commission proposed to banish all promotion of tobacco, on grounds that smoking related diseases had killed more than 10 million people in the community since it was founded in 1957.

Out would go those alluring glossy ads in magazines, along with billboards and cinema commercials. Cigarette brand logos would vanish from racing cars, football jerseys, sport stadia and even from fashion wear.

Today the planned ban, one of the most ambitious and controversial in the Community's history, is stymied.

As EC Health Ministers prepare to discuss it on Friday (May 15), the ban is opposed by several government and challenged by those who say it violates freedom of speech.

Opponents also contest health statistics cited by those who would ban tobacco advertising.

Tobacco commercials on television have already been banned under other EC rules.

Diplomats gave a run-down on the state of play after a meeting to prepare for this week's talks.

Germany, Britain and the Netherlands oppose the ban, a diplomat said — enough opposition to block its adoption.

Greece, under pressure from its big tobacco growing industry, and Denmark also oppose the ban but with less conviction.

Germany says the ban would undermine a constitutional guarantee that any legal project and be freely published. The Dutch feel the same way.

Britain tends to agree with the tobacco industry that it has not been provided that advertising recruits new smokers rather than tempting old hands to switch brands.

But the commission says the ban enjoys 73 per cent support among EC citizens. It also notes that the UN convention on human rights says general freedom may be restricted for the purpose of public health.

The federation of private tobacco firms says advertising is the best weapon in a brand-loyalty battle with state tobacco monopolies in Southern Europe.

They say state tobacco mo-

opolies, and the governments that endorse them, have nothing to lose if adverts vanish, whereas the private companies rely on advertising to cultivate a brands image that will help win smokers over to their more expensive products.

The private companies are pouring manpower and funds into lobbying government and politicians, seeking to discredit the seven states which back the ban.

The companies also fear their interests could be badly damaged by national advertising bans, even if there is no community-wide ban.

Italy and Portugal already have total bans on tobacco advertising. France joins them next year and Spain is preparing a similar move.

If these countries were to bar publications from other EC

countries that carry tobacco advertising, pressure for change from publishers will grow. At present, many publishers oppose the ban for fear of losing revenue — but spreading national restrictions could mean they lose out anyway.

Commission officials are pinning their faith and hope on action at national level forcing the issue for the community as a whole.

"It's a question of time (before an EC ban). If it's not this year or the next, it may well be the year after," said a spokesman for EC Health Commissioner Vasso Papanou.

Other commission officials agree the ban will come but suggest getting an agreement might mean a weaker ban than their original proposal.

Baghdad bans wheat trade, grain hoarding

BAGHDAD, May 12: Iraq, struggling to ship this year's harvest into government silos, has banned private trade in wheat and barley and ordered farmers not to hoard grain, newspaper reports said, reports Reuters.

The state newspaper Al-Jumhouriyah said the government would monopolise the marketing of this year's grain and send out inspectors to ensure farmers comply with the orders.

"Trade Ministry instructions restrict the marketing of wheat and barley to Iraq's (State-Run) Grain Board," the newspaper quoted a senior official at the ministry as saying.

Business briefs

Tokyo-Riyadh economic meet soon: Japan and Saudi Arabia will hold the sixth meeting of a joint committee on economic and technical cooperation between the two governments in Tokyo in late May or early June, a Foreign Ministry official said, reports Reuters from Tokyo.

The meeting will be attended by Saudi Arabian Minister of Planning Abdul Wahhab Bin Abdul Salamattar, Japan's Foreign Minister Michio Watanabe and International Trade and Industry (MITI) Minister Kozo Watanabe, the official said.

US may cut interest rates: Many economists believe the Federal Reserve is getting ready to cut interest rates again to stimulate the economy, even though signs indicate the recession has begun to rebound, reports AP from Washington.

These analysts believe the recovery this year will be one of the weakest on record. And with inflation remaining subdued, they reason, the Fed has ample room to provide another boost to the economy in the form of cheaper credit.

Indian stance on environment hailed: India's position on environment of giving primacy to economic development and poverty alleviation while attaching due importance to the environment has been recognized by many countries, the government has said, reports Xinhua from New Delhi.