BRIEFS

Indian seafood export doubles

NEW DELHI, June 14: Seafood exports from India have doubled over the past three years and were worth some 14.24 billion rupee (558.43 million US dollar) last year, the National Herald reported Sunday, reports Xinhua.

Shrimp remains the dominant export item, accounting for 45 per cent of the volume and 74 per cent of the value, the report said. There has also been significant growth in the export of lobster, frozen cuttlefish and fresh and frozen fish, the report added.

The Indian government recently initiated a series of measures to liberalize the existing policy to facilitate exploration of deep sea fishing resources, the reports said.

French farmers protest subsidy cut

PARIS, June 14: Farmers angered by the government's decision to reduce subsidies blocked traffic Wednesday on highways in several regions and dumped tons of vegetable in the streets of one city, reports AP.

Serious traffic jams were reported in the Midi-Pyrenees region of southern France, the Eure-et-Loire region around Chartres, and other districts.

Vegetable prices have fallen in part because of excess production. Some grain farmers have switched to growing vegetables because the EC reforms call for a 29 per cent reduction in subsidized grain prices — vegetable prices were not subsidized.

Two pro-reformers nabbed in China

BEIJING, June 14: Police have arrested two students for distributing a book backing the economic reform drive of China's paramount leader Deng Xiaoping, Chinese sources said Wednesday, reports Reuter.

Party hardliners banned distribution of the book, "The Tides of History", last month because it contained strong attacks on "leftists" — the Chinese term for ideologues who put Communist Party purity ahead of economic progress.

Fuel crisis closes Siberian airport

LONDON, June 14: Krasnoyarsk airport in western Siberia cancelled all flights Tuesday because of a shortage of fuel and funds, Russian television reported, according to AFP.

"There is no fuel and no money. Enterprises are no longer providing kerosene on credit," the radio monitored by the BBC said.

The Krasnoyarsk regional authorities had allocated credit to the airport a week ago, but the money had not yet arrived, and television were "vast numbers" of people waiting at the airport, the television said.

Britain slams US retaliation threats

LONDON, June 14: British Agriculture Minister John Gummer condemned US threats of trade retaliation against the European Community in a dispute over oilseed, reports Reuter.

Gummer, supporting arguments by EC Agriculture Commissioner Ray Macsharry, told parliament Saturday the action by Washington undermined its supposed commitment to world free trade talks.

"I find it wholly unacceptable that the United States could move not to negotiation but to retaliation," Gummer told a debate on the new EC agricultural farm aid package.

Washington and the EC have clashed over a General Agreement on Tariffs and Trade (GATT) ruling on subsidies on oilseeds.

After complaints from the United States, a GATT panel recently found against EC oilseeds aid despite modifications intended to answer many of the objections against it.

Gummer said the next step should have been talks. Instead the United States, illegally he said, had retaliated.

US trade representative Carla Hills has drawn up a list of EC exports of spirits, cheeses and other good worth 2 billion dollar as possible targets for retaliation over the oilseeds dispute.

Gummer said the United States action was in danger of jeopardising the completion of the stalled six-year-old Uruguay Round of GATT talks to free-up huge areas of world trade.

"I hope very much that the United States government will think better of what I fear may have more to do with internal policies than any external concerns," he said in an apparent reference to the looming US presidential elections.

UK Court approves Abu Dhabi compensation offer on BCCI

LONDON, June 14: The High Court said the "prudent and sensible decision" for creditors of the closed Bank of Credit and Commerce International (BCCI) was to accept compensation offered by its Abu Dhabi majority shareholders, reports Reuter.

Sir Donald Nicholls, a senior judge who had heard four days of argument on merits of the compensation plan, said "in all conscience 30 per cent is not much, but it's worth having."

BCCI liquidators Touch Ross had been seeking court approval for draft agreement's with Abu Dhabi which would pay some 30 per cent of creditors' losses stemming from the bank's closure last July.

Some creditors have strongly opposed the draft agreements, arguing the dividend is too little, too late. They want Abu Dhabi to raise its cash contribution towards compensation.

"The alternative to accepting the plan, backed by Touche Ross, Abu Dhabi and the Bank of England's Deposit Protection Board, was to renegotiate the terms or sue the majority shareholders, said the judge.

But Abu Dhabi had emphasised commercial terms of the proposals could not be renegotiated. It offers an initial 1.5 billion dollar contribution on total BCCI liabilities of 9.25 billion dollar.

"Of course they would, all like a higher offer," said the judge. "Of course they are reluctant to accept — partial recovery," he said to a packed and expectant court.

Some creditors had resources to wait while pursuing litigation — which could last five to 10 years. Others suffered such hardships nothing less than full compensation would do. Others could not afford to wait, he said.

Many creditors would realise the prudent and sensible financial decision was to take what was on offer and get on with their lives, said the judge.

English liquidator Christopher Morris welcomed the ruling.

"The liquidators have always believed that the proposals agreed with Abu Dhabi shareholders are the best option for creditors," said Morris, a Touche Ross partner.

"We believe it is right for the creditors to have the opportunity to decide for themselves and the court has given them that opportunity," he added.

Tony Scott, a member of the Depositors, Protection Association, said "I, and a number of other depositors, are so disappointed because we all told the court this deal was no good and said" reject it. "We were convinced that would happen."

"The reality is we still don't think it's enough."

The court gave the Creditors Committee, which represents the wider body of creditors, until Wednesday to appeal the ruling.

High court approval now paves the way for similar hearings in the Cayman Islands and Luxembourg, where the BCCI group had headquarters, for the settlement to be put to creditors.

Some creditors have already indicated they want to fight the proposed agreements in the Luxembourg court.

Although the English liquidation takes second place to the Luxembourg liquidation, as BCCI was registered in the grand duchy, high court approval was widely seen as vital to the success of the complex arrangements.

The High Court Judge said he was acutely aware of the misery to families around the world caused by the closure of BCCI —"the bank that robbed its customers.

Many depositors had written to him, wanting the English courts to wave a wand and then all would be well.

"Alas, I don't have a wand," said the judge. "I can't conjure up money, nor can the liquidators."

The risk to creditors of rejecting the terms was too great.

"Exceptional circumstances call for exceptional treatment. I shall therefore authorize the liquidators to proceed with the documents in question," he said.

Another report from Abu Dhabi says: Abu Dhabi's investment arm has acquired a 40 per cent share in a local bank from the failed Bank of Credit and Commerce International (BCCI), bankers said on Saturday.

The Abu Dhabi Investment Authority (ADIA) acquired the BCCI's 40 per cent interest in the Union National Bank (UNB), formerly the Bank of Credit and Commerce Emirates, following approval on Friday by the English High Court.

The court is overseeing distribution of resources of the failed BCCI whose creditors lost billion of dollar when regulators closed the bank last July 5 amid allegations of massive fraud.

Abu Dhabi were the majority shareholders in BCCI.

The bankers said the acquisition brings ADIA's stake in UNB to 50.04 per cent and paves the way for UNB to release its 1991 balance sheet.

"We have an operating profit but the final shape of the balance sheet is to be discussed and finalised in the coming weeks," a UNB executive said.

UNB is the only financial institution in the UAE which has nor announce 1991 results. The government and private sector contributed more than 500 million dirham (136.2 million dollar) in deposits to UNB this year to make up for a serious shortage in liquidity.

Current total deposits are 4.4 billion dirham (1.1 bill dollar) and advances are 3 billion dirham (817 million dollar) bankers said.

"We lost deposits in July but gained them in November. We are now operating at a comfortable level at 25 per cent liquidity," the UNB source said.

IDA lends $29.2 m for Pak enviro projects

WASHINGTON, June 14: A World Bank subsidiary has lent Pakistan 29.2 million dollar to clean up polluted waterways and strengthen programmes to prevent future pollution, the bank announced Friday, reports AFP.

The International Development Association (IDA), the World Bank affiliate specializing in loans to the poorest countries, is lending the money as part of a 57.2 million dollar project to strengthen pollution prevention programmes in Pakistan and develop ways to assess environmental impact before programmes are put into place.

The project will set up air, water and soil pollution standards and help Pakistan enforce them as part of its national conservation strategy, the World Bank said in a statement.

The European Community is contributing 13.5 million dollar to the project, with Pakistan picking up the remainder of the tab.

India eases norms to collect capital

BOMBAY (India), June 14: The Indian government has announced a new set of guidelines which are expected to make it easier for companies to raise money on the capital market and make Indian firms more accountable to investors, reports AFP.

The Securities and Exchange Board of India (SEBI) issued the guidelines here late Thursday and details were published Friday.

Until now, companies planning to raise capital through public issues had to seek permission from the New Delhi-based Controller of Capital Issue (CCI), which often took months to come by.

The government, as part of its economic liberalisation, abolished the CCI office as of June 1, transferring its powers to the Bombay-based SEBI.

Under the new guidelines, companies no longer have to seek prior permission to raise money and profit making companies can even issue shares at a premium.

A private company wanting to go public can freely price its shares if it has made good profits in the previous five years, and if the promoters contribute 50 per cent of share capital.

The guidelines also make it mandatory, for the first time, for companies to disclose a huge volume of information about their financial well-being to potential investors.

The SEBI rules are part of government efforts to modernise the Indian stock market and prepare for its eventual integration with global markets. The government had said in February that foreign pension funds would be allowed to be invested in the Indian stock market in the near future.

The SEBI was set up three years ago, but was given statutory powers under an ordinance issued only three months ago.

SBI officials' assets frozen

More suspects named in Indian bond scam

NEW DELHI, June 14: Indian detectives have brought charge against the chief of a leading bank, and carried out lightning raids on bankers and brokers, in a continuing crackdown stemming from a billion-dollar bond scam, reports AFP.

K Margabandhu, Chairman and Managing Director of the United Commercial (UNCO) bank, and three of his colleagues were charged with defrauding the bank of 500 million rupee (16.6 million dollar), press reports said Saturday.

The charges were filed in a Bombay court late Thursday by the Central Bureau of Investigation (CBI), which accused the four men of conspiring with stock broker Harshad "big bull" Mehta and others to cheat UNCO, the reports said.

Mehta, his wife Jyoti and two brothers were also named as suspect in the case filed by the CBI which said he and others had pocketed the money in illegal transactions, the Press Trust of India (PTI) and newspapers said.

Investigators on Friday raided 13 places in Bombay and Calcutta, including the office and residence of Margabandhu and premises owned by Mehta, his associates and several top stock brokers, and seized documents, they said.

Margandhu is on forced leave, and Mehta and his two brothers are among 11 people arrested in connection with the scandal involving the illegal diversion of money from the government bond market to stocks.

Bank fund to the tune of one billion dollar are involving in the scandal which, since coming to light in April, has ended an unprecedented bull market in Indian stocks.

Meanwhile, the State Bank of India (SBI), the country's largest commercial bank, decided Friday to set apart seven billion rupee (233 million dollar) to cover losses in securities transactions.

The scandal was unearthed when SBI was found not to possess securities that its books showed it was. False entries were reportedly made in SBI books when the securities had actually been handed over to Mehta to play the stock market.

Meanwhile Reuter adds: India said on Saturday it had frozen the assets of three bank officials allegedly involved in a 30-billion rupee (one billion dollar) financial scandal.

A finance ministry statement said the freeze applied to properties of three officials from the State Bank of India (SBI), including Deputy Managing Director C L Khemani.

They are among 10 people arrested after the country's worst financial scandal shook the country's financial capital, Bombay and sent share prices plunging.

Falling imports widen Japan's trade surplus

TOKYO, June 14: Steeply falling imports pushed up Japan's politically sensitive trade surplus in May for the 17th consecutive month, the Finance Ministry said here, reports Reuter.

The overall surplus yawned to an unadjusted 7.87 billion dollar against 4.16 billion dollar in May 1991.

Customs-cleared exports rose 4.1 per cent to 25.46 billion dollar while imports dropped a hefty 13.3 per cent to 17.6 billion dollar the Ministry said.

Japan's purchases of foreign fuel, machinery, chemicals and food all declined between six and 15 per cent.

The gap in two-way trade with the United States, Japan's most vocal trade critics, widened to an unadjusted 2.29 billion dollar surplus in May from a 1.93 billion dollar surplus a year earlier.

While Japanese export sales to the US market rose 3.3 per cent to 7 billion dollar, imports of American goods plunge 15.9 per cent to 4.1 billion dollar, the Ministry said.

The drop in imports from the 12-nation European Community was even stepper, 16.2 per cent. Japan's surplus with the EC hit 2.68 billion dollar in May, up from 2.14 billion dollar a year earlier.

In Tokyo's trade with Asia, surpluses yawned again. While exports remained flat, imports were down 11.4 per cent.

Japan has recently blamed its ballooning surplus on a domestic economic slowdown. Its main trading partners want Tokyo to boost domestic demand and help pull the world economy out of recession.

This 17th straight month of year-on-year growth in Japan's surplus seemed likely to further stoke trans-Pacific recrimination.

The rise in Japan's trade surplus with the United States, at 51 per cent, was the highest increase since March 1986 when it rose by 61.7 per cent.

Japan, long the butt of US criticism for alleged unfair trading practices, hit back this week with a report accusing the United States of flouting international trade rules.

Washington retorted that Japan had nothing to say in this debate. "People who live in glass houses should be careful about their stones," said White House spokesman Marlin Fitzwater.

By category, Japanese exports of motor vehicles rose 16 per cent in May over the same 1991 period in dollar value, and semi-conductors were up 10.7 per cent, but sales of video casette recorders fell 14.7 per cent.

Privatisation: a case study of Malaysia

Malaysia's privatization programme, one of the largest in the developing ESCAP region, has successfully involved some 32 projects since 1983. The Privatization Master Plan drawn up by the government envisages the divestiture of nearly 250 public sector enterprises, valued at over $M 16 billion, in the coming decade. The process has already helped deepen the capital market with an additional capitalization of about $M 2 billion.[a]

The ownership and management of Port Kelang Container Terminal was transferred from the Malaysian Government to a newly formed private company in March 1986. This was the first major privatization effort which took almost three years to complete. The case illustrates the complexities associated with such a process in a developing economy — including the resolution of various goals and requirements of the public sector and interest groups, which are not always mutually consistent, and inadequate local expertise. At the same time a careful privatization design can be highly effective in achieving the stated government objectives, such as improving enterprise efficiency and attracting foreign investment, and reducing public-sector involvement in areas in which the private sector can operate as efficiently if not more.[b]

The whole port facility, including the container terminal, was managed by Port Kelang Authority, which is financially autonomous but wholly owned by the Government of Malaysia (under the Transport Ministry jurisdiction). Operational efficiency levels at the port, an important and widely known national infrastructure, were below international standards although the Authority had always been profitable, with the container facility contributing 60 per cent to the total net earnings in 1985. Efficiency and profitability could be expected to improve considerably, increasing government income tax revenue, if management were accorded the freedom and flexibility to operate on a commercial basis. In particular, administrative and bureaucratic procedures often contributed to delays in decision-making and cost overruns in the improvement and expansion of port operations.

The acute lack of expertise within the public sector to plan and execute the privatization of the container terminal necessitated the hiring of a well-established and technically competent local merchant bank (out of 5 bid offers) to conduct a detailed study of the container terminal itself, and to outline the options available to the government. The report, submitted in December 1984, recommended the creation of a separate corporate entity for the container terminal and public bidding for its ownership. The envisaged ownership structure, after the public stock offering, is dominated by the new private company (40 per cent), the general public (35 per cent), the Port Kelang Authority (20 per cent) and the employees of Kelang Container Terminal (5 per cent).

The same merchant bank was retained to review the four bids submitted in January 1985. Each was voluminous and contained a non-Malaysian partner with substantial experience in the container terminal business, and an expressed commitment to invest equity and hence share risks in the joint venture. After extensive review and consultations, the winning bid was announced in March 1985 although a number of outstanding problems would need to be resolved. These included management fees to be paid to the overseas partner and the formula for determining rental income to the Kelang Port Authority; among other things, the land on which the container terminal was located could not be sold to any private interest and was thus to be leased for 21 years to the new company.

Among the most contentious issues, however, were the terms and conditions of employment at the new company. The terminal had about 900 workers all of whom enjoyed the same status — in terms of pay, benefits and job security — as their counterparts in the Malaysian civil service. Protracted negotiations between the Authority, the union and the new company culminated in an agreed package with three options. Current employees could work for the new company but remain as Port Authority employees; or become workers of the new company on overall terms and conditions no less favourable than those currently prevailing; or terminate their employment and receive a generous severance package or retire early on pension; the terms associated with the last option were conditional on age, length of service, occupation group etc.

Generally, the union succeeded in obtaining total job security for all current workers without financial loss. However, as employees in the new company, lifetime job guarantee would no longer prevail, and future promotions and compensation would be determined more directly by performance. In the event, 99 per cent of the container terminal workforce opted to join the new company and evidence from the first 18 months of operation indicated notable improvements in productivity. The average length of time that a container remained in the dockyard was shortened to 3.8 days from 8 days; the rate of container throughput in 1987, about 12 per cent higher than in the previous year, even surpassed the new company's own projections. Largely as a result, Port Kelang was moved up in international rankings, from the 11th position in 1985/86 to the seventh place a year later.

It appears from the above case that a change of ownership without any significant adjustment of the monopolistic character of the container terminal operations can contribute to productivity gains. The promotion of private sector initiatives and increased foreign and domestic participation through, among other measures, privatization can thus be approached on a pragmatic basis in line with the country's circumstances and priorities. The fact that it took almost three years to complete the transaction under review reveals clearly the complexity and time-consuming nature of the process. There were a multiplicity of institutional interests, each with different and often mutually exclusive stakes in the outcome. Resolution of these issues required both goodwill and concessions, as well as supporting changes in the relevant laws and regulations on the part of the government. The impediments encountered by Malaysian policy makers in the process of privatization were not particularly unique, but can be regarded generally as representing the norm in the developing world, even in the relatively developed middle-income countries. Many of these are generic issues, not susceptible to easy and quick solution, and should therefore not be underestimated.

ESCAR survey-1991

Most Asian currencies gain against $

HONG KONG, June, 14: Asia-Pacific currencies generally moved higher against the US dollar this past week, with the Japanese, Thai, Singaporean, New Zealand, Malaysian and Taiwan units all strengthening, reports AFP.

The Philippine peso, South Korean won and Australian dollar fell, while the Indonesian ringgit held steady.

New Zealand's stronger dollar resulted from per-budget spiculation which brokers predicted would continue until official announcements in July.

Japanese Yen: The yen gained ground to close at 126.67 yen to the dollar on the Tokyo foreign exchange market Friday, up 0.88 yen from its close a week earlier.

After opening at 126.75 yen, the Japanese currency moved in a narrow range this week in the absence of incentives.

The Tokyo market mostly reflected trends overseas, dealers said, adding there was no major impact from a report Friday from the Bank of Japan which said Japanese business confidence deteriorated in the three months to May.

Australian dollar: The Australian dollar was weighed down by the national economy's dim economic outlook to finish the week on a downward note, dealers said Friday.

The dollar finished in local trading at 76.15 US cent at the end of a four-day week from the previous week's 76.50 US cent.

Dealers said the dollar was looking "particularly sick" amid growing speculation of a further cut in interest rates, after unemployment rose to 10.6 per cent in May from 10.4 per cent the previous month.

On the Reserve Bank's trade weighted index, which measures the dollar against a basket of major trading currencies, the unit fell to 56.6 points from 57.0 points the previous week.

Hong Kong dollar: The Hong Kong dollar finished to close the week at 7.7335-7.7345 to the US dollar, compared with 7.7375-7.7385 the previous week, and the effective exchange rate index was 111.0, down 0.4 points.

The Hong Kong dollar has been officially pegged at around 7.80 to the US dollar since October 1983.

Indonesian rupiah: The Indonesian currency remanded steady against the dollar throughout the week, closing Friday at 2,029 rupiah.

Malaysian ringgit: The ringgit finished the week at 2.5155 to the US dollar, up 65 points from last week's close at 2.5220. Dealers said the gains came from short covering and commercial demand.

New Zealand dollar: In pre-government budget speculation the New Zealand dollar closed the week at 54.38 US cent, up from last week's close at 53.68 US cent.

During the week the dollar reached its highest level in two months at 54.65 US cent, as the currency attempted to find a floor value in response to lower inflation.

A statement during the week by Finance Minister Ruth Richardson that the fiscal deficit in her July 2 budget was likely to go higher than expected resulted in a brief rise here in interest rates, also pulling up the dollar.

Brokers are expecting the Kiwi currency to increase prior to the budget.

Philippine peso: The value of the Philippine peso fluctuated over the week, registering 26.533 US cent on Monday, 26.527 on Tuesday, 26.50 on Wednesday and closing Thursday at 26.256-down from its previous weekly close of 26.52.

There were no transactions Friday, the Philippines' independence day.

Singapore dollar: The Singapore dollar strengthened against the US dollar to close at 1.6230 against the previous Friday's 1.6285.

The OCBC trade weighted index for the Singaporean unit was 135.96, down from 136.04. The index is calculated against the currencies of Singapore's top 12 trade partners.

South Korean won: The South Korean won continued to slide, trading Friday at 789.30 won per US dollar, compared to 787.30 won a week earlier.

Dealers expected the won to drop soon to as low as 790.00 won.

Taiwan dollar: The Taiwan dollar advanced Friday to settle at 24.7425 to the US dollar, up 17.4 Taiwan cent from the preceding week's 24.9164.

After opening Monday at 24.905, the Taiwan unit gained momentum and registered a record high of 24.729 Wednesday as a result of the central bank's selective credit control on land deals to combat rising inflation.

Transatlantic flights

British Airways joins price war

LONDON, June 14: British Airways (BA) has joined the airline price war on flights from the United States to Europe cutting the prices on some of its flights by up to 28 per cent, the company said here, reports AFP.

The reductions, apply only to particular flights originating in the United States setting off from Atlanta, Chicago, Detroit, Los Angeles, Atlantan Miami, San Francisco, Seattle or Washington, a spokesman said.

BA's decision was taken on Wednesday to "defend the company's competitive position" after a range of other US and European airlines cut prices in response to a range of reductions by US carrier delta.

None of the companies have yet decided to cut the fares.

Under the new pricing scheme, a full economy return from Los Angeles to London, subject to the conditions of the Delta, will now be 983 pounds (around 1,800 dollars) and from Miami, 710 pounds (around 1300 dollars).

Delta Air Lines, the United States' third biggest airline, cut the price of some of its Transatlantic flights from the United States to Europe by as much as 45 per cent from Tuesday.

For the previous two weeks, the US airlines had waged a price on domestic routes.

Yeltsin against interference

Privatisation policy okayed in Russia

MOSCOW, June 14: Russia's Parliament has adopted a programme for privatisation stage enterprises through the rest of this year, Itar-Tass news agency said on Friday, reports Reuter.

The programme, approved by parliament on Thursday, outlines a sell-off of state enterprises on the basis of current legislation. It excludes water, forests, sea, gold and diamonds and other natural resources, cemeteries, cultural treasures, military property and television and radio centres.

Privatisation has been hindered in practice by disputes over elements of legislation laying the foundation for detailed programmes.

The government, at odds with the conservative parliament over key aspects of future commercial law, is under pressure to break the deadlock.

Radical reformers have asked President Boris Yeltsin to push the process along by issuing decrees effectively sidetracking parliament.

Privatisation of property after seven decades of tight state control is the central element of Yeltsin's programme to change the centrally-planned economy to a market system.

The process follows a liberalisation of prices early this year intended to stimulate interest in enterprises.

Another report from Washington adds: Russian President Boris Yeltsin said in an interview published on Friday that he will not allow western governments or the International Monetary Fund (IMF) to dictate the pace of economic reform in his country.

"We have a programme, we have principles and a Russia that the IMF does not know, and a Russian people that the IMF does not know," Yeltsin said in an interview with representatives of five foreign news organisations, including the Washington Post and the New York Times.

"If the IMF insists that we immediately release prices on energy, we will not agree," he said in the interview ahead of his visit to Washington next week.

"We know cases in the world when some countries have followed the advice of the IMF and suffered a fiasco," Yeltsin said.

He said he wanted to meet or at least telephone exiled writer Alexander Solzhenitsyn and urge him to come home. The writer, deported from the Soviet Union in 1974, now lives in Cavendish, Vermont.

Yeltsin said he hoped to have as good or better relations with President George Bush than Soviet leader Mikhail Gorbachev.

He predicted at least 20 documents would be signed during his Washington visit, including what he described as "a framework agreement on principles for deeper cuts in nuclear weapons."