

Pakistan proposes \$840m new taxes in budget

ISLAMABAD, June 15: The Pakistan Government Monday proposed new taxes of 840 million dollar in its deficit national budget for fiscal 1993-94 to reduce a yawning deficit of nearly four billion dollar, reports AFP.

Presenting the budget effective July 1, Finance Minister Sartaj Aziz said the resource mobilisation would help cut down the deficit to 85 billion rupee (about 3.2 billion dollar).

The 332.5 billion rupee (12.25 billion dollar) budget is nine per cent higher than the revised estimates for the current year ending June 30.

The third budget of the crisis ridden government of Prime Minister Nawaz Sharif represents an overall deficit of 107 billion rupee (nearly four billion dollar), compared to 65 billion estimated in the outgoing year 1992-93.

The country's economic performance was dismal this year, with Gross Domestic Product (GDP) growth rate falling to three per cent from six per cent in fiscal 1992-93, mainly due to devastating floods last winter and a 27 per cent decline in the virus hit cotton crop.

The defence sector continued to take a lions share of 3.3 billion dollar, 34.6 per cent of total expenditure, an increase of the nearly two per cent over last years outlay.

In the taxation proposals unveiled in the budget speech to Parliament, Aziz sought an increase in sales tax from the present 12.5 per cent to 15 per cent as well as raising prices of petroleum products by 10 per cent.

He also suggested upward adjustments in wealth tax, customs duty, income tax and central excise levies on a number of items.

Enumerating the problems, he said Pakistan's economy had passed through three crisis in the outgoing year.

Floods and rains in September caused two billion dollar of losses, while a political crisis created by the dissolution of the government and the National Assembly by President Ghulam Ishaq Khan in April deeply hurt investment and depleted for ex-reserves, he said.

The economy was also hit by the global recession which affected the country's exports and balance of payment position.

The government is continuously trying to overcome these difficulties and we are confident that 1993-94 will be a better year, he said, adding that the government hoped to achieve a GDP growth rate of 7.5 per cent.

Aziz said successive governments in Pakistan had been

meeting budgetary deficits through domestic and foreign borrowings which has now become a major cause of deficit.

The foreign debt burden, estimated at about 20 billion dollar, is almost equal to domestic borrowings.

Aziz said the situation had reached stage that interest payments on loans was equal to defence expenditure.

According to economic experts, defence, debt servicing and expenses on the administration sat up 88 per cent of the total budget, leaving a little for social development sectors.

Inflation, imbalance and financial instability are some of the ills generated by the rising debt, the minister said, stressing government resolve to create a self reliant economy by reducing dependence on foreign loans.



The first Palestinian credit card, issued by the Jerusalem National Express Company, is displayed in Arab East Jerusalem Monday. The credit card company, founded by Palestinian-born US businessman Jalal K Hidmi, 34, from Akron Ohio, made an initial issue of 10,000 cards in the West Bank and the Gaza Strip. — AFP/UNB photo

Foreigners pledge \$1b investment in India

NEW DELHI, June 15: Overseas investors pledged nearly one billion dollar in the first four months of 1993 in an overwhelming response to India's economic reforms, the Industry Ministry said here Monday, reports AFP.

A government release said 990 million dollar had been pledged between January and April, compared with 176 million dollar in 1991 and 1.29 billion dollar for all of 1992.

It said 114 projects had been cleared between August 1991 and April 1993, of which 48 involved 100 per cent foreign equity. Of these, 80 per cent were in core areas such as power, oil, telecommunications, electronics and tourism.

The report said investments from the United States rose from 11.5 million dollar in 1991 to 410.5 million dollar in 1992 and 554 million dollar during the first four months of this year.

NAFTA can replace GATT, says Canadian official

KUALA LUMPUR, June 15: A senior Canadian trade official, while extolling the virtues of the proposed free trade area in North America, said Monday it could be expanded into a world trade body if GATT collapsed, reports AFP.

Michael Hart, senior adviser of the Canadian Department of External Affairs and International Trade, said the proposed North America Free Trade Area (NAFTA) could first be widened to become the Pacific free trade area.

From there it could even be further expanded to become a world trade organisation should GATT (General Agreement on Tariffs and Trade) fail, Hart said when referring to the stalled Uruguay Round of talks aimed at freeing world trade.

NAFTA will, no doubt, divert investments away from traditional areas but it will, nevertheless, become an interesting destination for investments, Hart was quoted by the Bernama news agency as saying.

NAFTA, signed in December by Mexico, Canada and the

United States, is expected to take off in January.

Hart said it was also natural that NAFTA cooperate with the proposed ASEAN Free Trade Area (AFTA) as both had a lot of similarities born out of the same kind of economic needs.

ASEAN, comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand agreed last year to form a free trade area in 15 years under a scheme launched in January to gradually cut tariffs.

Malaysia, whose idea of an East Asian economic caucus mooted in 1990 was shot down by Washington, had last month cold-shouldered a proposal by the US Assistant Secretary of State for East Asia and Pacific affairs for formal links between NAFTA and AFTA.

The proposal is definitely not workable as both regions have a wide disparity in levels of tariff rates and economic development, a senior Malaysian trade official said.

Another report from Ottawa says: Despite a never-increasing possibility, that the North American

Free Trade Agreement (NAFTA) — embracing Canada, Mexico and the United States — might not be ratified by the United States, Prime Minister-elect Kim Campbell has steadfastly backed the agreement.

In an early leadership battle speech, Campbell — who hails from the Pacific coast port-city of Canada — suggested NAFTA could be expanded in the near future to include Pacific rim nations.

Without being specific on which Pacific rim countries might be included or what the timetable might be for expanding NAFTA, Campbell favours inviting Australia and New Zealand to join the trade pact, according to one of her leadership campaign aides.

New Zealand Prime Minister Jim Bolger last year suggested his country would be interested in joining NAFTA — if the current round of global trade liberalization negotiations being carried out within the General Agreement on Tariffs and Trade (GATT) fail.

France reduces interest rates again

PARIS, June 15: The Bank of France cut its lending interest rates for the eighth time in two months on Monday in a move which had been widely expected in financial markets, reports Reuter.

The central bank reduced the intervention rate, which sets a floor on the cost of money for banks, by a quarter point to 7.25 per cent and trimmed the five-to-10 day lending rate, which sets a national ceiling on money market rates, to 8.25 per cent from 8.50.

The conservative government to Prime Minister Edouard Balladur, which took office after a landslide election win in March, has been using every chance to cut financing costs of industry in order to get France out of recession.

The government — resigned to an even deeper recession than it was counting on when it drew up a new budget just two months ago — is set to scale back its official forecast for economic growth this year.

Liberation newspaper reported on Saturday that government experts would this week provide the national accounts committee with new forecasts showing the economy shrinking by 0.8 per cent this year.

EC angry over Germany's special deal with US

BRUSSELS, June 15: A trade dispute between the United States and the European Community has boiled over into confusion and anger, with Germany under attack for breaking ranks and making a special deal with Washington, reports Reuter.

The European Commission demanded an explanation from Germany on Monday for an accord between Bonn and Washington last week which excluded Germany from discriminatory EC trade rules and from US retaliation against them.

A spokesman for the EC's executive said contacts at the highest level could be set up this week to defuse the issue, which threatens to shatter the solidarity of the community during crucial negotiations on world trade reform.

The commission has threatened court action against Germany on the grounds that Bonn flouted an EC decision to discriminate against US firms bidding on European public

contracts for telecoms equipment.

The decision was enshrined in article 29 of the EC's public utilities directive of January 1.

Earlier this year, the EC and the United States pledged an end to public procurement discrimination except in the telecommunications sector.

In retaliation at the telecoms discrimination, the United States shut out EC firms on May 27 from federal tenders worth 20 million dollars, and the community retaliated with similar sanctions worth about 15 million dollars.

Last week, Washington excluded Germany from the US sanctions on the grounds that Bonn had never applied article 29. Germany said it would not

take part in the EC counter-sanctions.

In Paris on Monday, the French foreign ministry demanded an inquiry into the affair, which it said risked cracking EC solidarity.

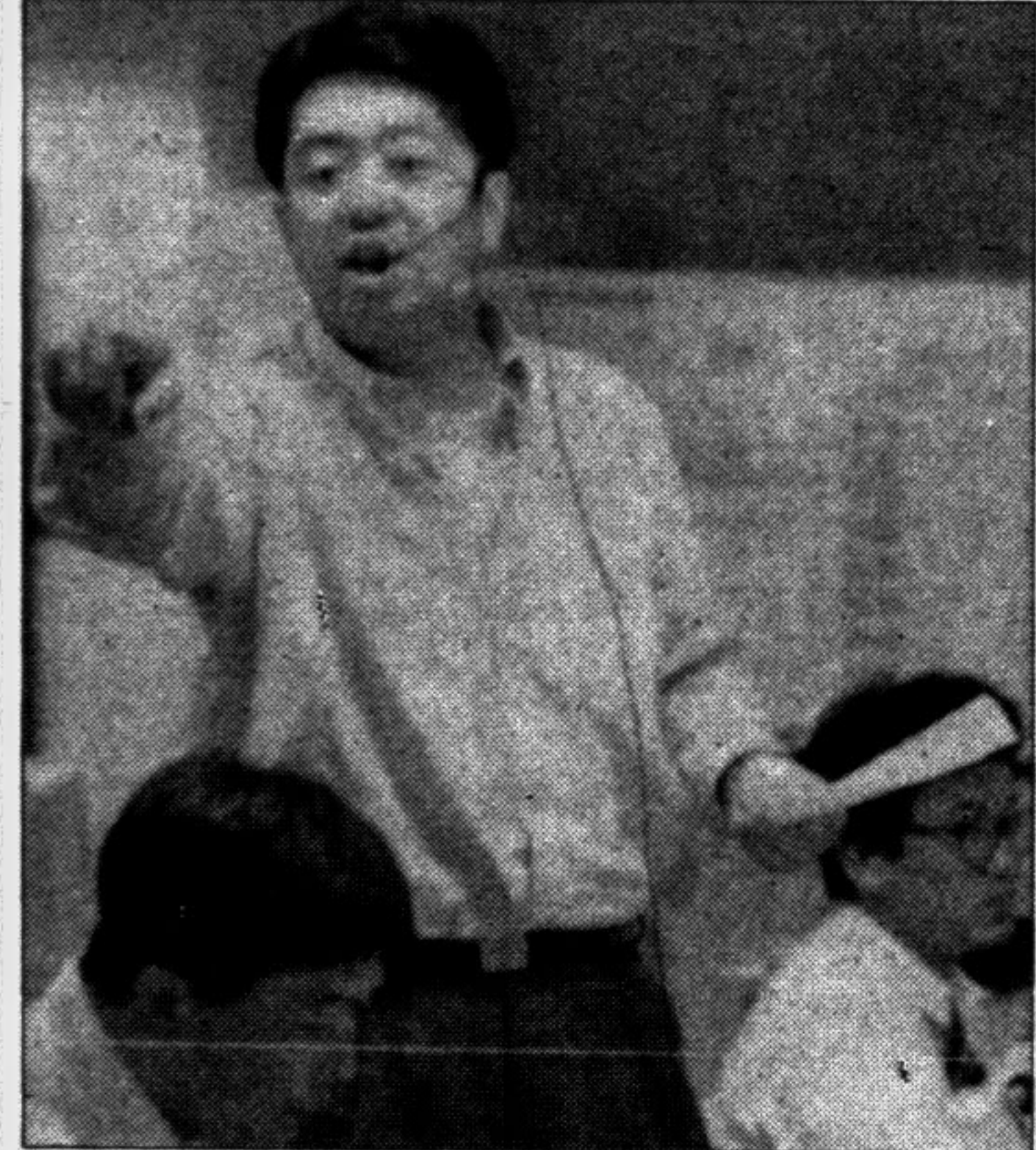
An EC official spoke of conflicting theories — that there had been a trade split between France and Germany, or a fight within the German government, or just bureaucratic misinterpretation.

45 per cent Venezuelans live in poverty

CARACAS, June 15: Nearly 45 per cent of the people in oil-rich Venezuela live in poverty, and 20 per cent live in extreme poverty, according to official 1990 census figures released on Monday, reports Reuter.

Though Venezuela is one of the richest nations in Latin America, eight million of its 20 million inhabitants are considered poor, the figures showed.

About 3.5 million of those live in "misery" according to the census results released by the National Statistics and Information Office.



A money dealer calls a buying order during a morning session of the Tokyo Foreign Exchange market Monday. The US dollar plunged against the Japanese yen to below 106 yen, despite interventions by the Bank of Japan. — AFP/UNB photo

US, Japan may go for stabilising yen-dollar exchange rate

TOKYO, June 15: Japan and the United States may carry out concerted market intervention to stabilise the yen-dollar exchange rate, a high-ranking Japanese Finance Ministry official said here, reports AFP.

Action may be taken in close consultation and cooperation between Japanese and US authorities, said the official, who asked to remain unnamed.

The current moves of the yen and dollar are too fast, the official told reporters, adding that the United States did not welcome the sharp appreciation of the yen.

He did not elaborate, but the official appeared to dampen market speculation that the United States wanted an ever-stronger yen to help reduce its huge trade deficit with Japan.

The yen hit a new record high close to 105.20 to the dollar here Monday, a sharp rise of 1.12 yen from its close the previous trading day.

Arab states trade on UN embargo: Iraq

BAGHDAD, June 15: Iraq, its oil exports choked off by UN sanctions, says certain Arab Gulf countries are working against its return to market, reports Reuter.

The policy pursued by these countries (Arab Gulf states) is steered directly against Iraq's interests and its natural return to the oil market," Oil Minister Usama Al-Hiti said in remarks published in the government newspaper Al-Jumhuriyah Monday.

He said OPEC and particularly certain Arab countries like Saudi Arabia, the United Arab Emirates (UAE) and Kuwait were taking advantage of the embargo on Iraq oil to exceed their production ceilings.

"OPEC countries, namely Arab states like Saudi Arabia and the UAE exploited the conditions of the 30-state aggression against Iraq and the unfair measures of economic sanctions on it to boost their output quotas," Hiti said. Iraq was evicted from Kuwait by US-led allied forces.

Last week the minister accused OPEC members of stealing Iraq's quota and said they will have to pay a price for over-producing while Baghdad's oil exports were plugged by UN sanctions.

Iraq's total production prior to UN sanctions over its 1990 invasion of Kuwait was 3.25 million barrels per day of which 2.27 million BPD were for export.

Hiti said the Organisation of Petroleum Exporting Countries had lost its control of the world oil market and could no longer defend the 21 dollar price it set for a barrel of oil.

He said current oil prices "are not proportionate to the international rates of inflation."

"At present OPEC lacks a clear oil policy as well as the necessary objective outlook for a long-term, strategic pricing policy in line with member countries' interests," he said.

He accused Saudi Arabia, the UAE and Kuwait of coordinating efforts with the United States to lower oil prices.

Japanese ruling party dominates list of richest MPs

TOKYO, June 15: Legislators of Japan's scandal-tainted ruling party dominated the list of the richest Members of Parliament, accounting for 87 of the top 100, according to a government report released on Monday, reports Reuter.

Public anger over a spate of political corruption scandals prompted parliament last year to pass a law requiring legislators to declare most of their assets — cash, deposits, securities and real estate — each year from 1993.

Legislators, however, decided not to attach any penalties for false reports.

Accurate or not, the first report of its kind showed that the average Japanese parliamentarian — there are 749 in all — was worth about 88 million yen (830,000 dollar).

LDP legislators held assets averaging 132 million yen (1.24 million dollar), roughly three times more than those of opposition parties, the report said.

Moreover, 87 of the 100 richest lawmakers were members of the LDP, with their combined wealth accounting for three-quarters of all the assets of all MPs.

But the figures show only the value of the assets based on a nominal basis. The market value could be several times higher.

Legislators were not required to declare assets such as jewelry or precious metals in the

possession of their spouses and other family members.

Only too clear in the memory of many Japanese is the scene of February of prosecutors dragging away boxes full of gold ingots and bank notes, said to be worth billions of yen (millions of dollar), found in the safe of one time LDP chief Shin Kanemaru.

Kanemaru, who has been charged with two counts of massive tax evasion, is believed to have amassed his secret fortune by taking kick-backs and political funds from favour-seeking companies, according to authorities.

\$2.7m joint venture in Fiji

NADI, Fiji, June 15: Australia, New Zealand and Fiji are to combine forces in a 2.7 million US dollar project to improve agricultural productivity and sustainability in Fiji, it was announced here Friday, reports AFP.

"Agriculture is vital to Fiji's economy as it is the biggest source of export income and the country's largest employer," said Australian Minister for Pacific Islands Affairs Gordon Bilney, who opened the Fiji-Australia business council conference here.

Even small improvements in farm and garden production can lead to significant gains for farmers, their families and Fiji," said Bilney.

A special focus of the project will be suitability of Fiji soil for growing ginger, a high-value export crop.

The scheme is designed to assist growers of food crops for both export and domestic sale through developing the research and development capacity of Fiji's Ministry of Agriculture, Fisheries and Forestry, Bilney and representatives of the Fiji Agriculture Ministry signed Friday a memorandum of understanding setting out the project responsibilities of Australia and Fiji.

No ads in English in Indonesia

JAKARTA, June 15: Rattled by the growing use of English in advertising in Indonesia's major cities, authorities here have ordered a crackdown and starting next month advertisers will have to say it in Indonesian — or pay the price, reports AFP.

In the past ten years so much English has appeared on billboards, shop signs, department stores and office fronts in Jakarta, that one could be forgiven for thinking English is a part of Indonesia's cultural heritage.

It was a British colony once — but only for a brief five years following the Napoleonic war. In 1816 colonial power was restored to the Dutch who ruled Indonesia for a total of three and a half centuries.

One of the main slogans of the independence movement in this multi-lingual archipelago was 'satu nusa, satu bangsa, satu bahasa' (one homeland, one country, one language) perhaps one reason why Dutch faded so quickly, and why inroads into the language are felt so keenly.

Difficult or not, worried Jakarta authorities have made the first move, and as of July 7 will enforce a ban on all ads, billboards and commercial signs with English terms.

An official of the Municipality's Social and Political Affairs Directorate, Sofi Sugastriash, said the rules banning English in ads were in fact issued in 1959, but had been hard to implement.

Now more resolute, Jakarta is allowing a one year transitional period for those concerned to get familiar with the new measures, which do allow a little supplementary English, but only added to a main Indonesian content.

India's downbeat capital markets facing fresh crisis

BOMBAY, June 15: India's downbeat capital markets are facing a fresh crisis as underwriters fail to meet their commitments following the failure of many new public issues, reports AFP.

Nearly 100 public issues were undersubscribed in December-April, saddling brokers who underwrote them with the burden of paying up the balance or forcing the companies who floated stock to refund subscribers.

Some major public issues failed to raise even 20 per cent of the money they had hoped to garner.

Bombay Stock Exchange (BSE) authorities estimate the underwriters' commitments at three to four billion rupee (100 to 133.3 million dollar).

The Securities and Exchange Board of India (SEBI) has warned of legal action if they default on payments. Defaulters could be barred from underwriting future public issues.

"We will certainly take action against defaulting underwriters once we get the full picture," said SEBI chief GV Ramakrishna, who called it a crisis. "Underwriters have become their own undertakers," he said.

Two companies, Bellary

Steels and Unity Steels, have refunded money they collected from investors. A third company brought suit in the Calcutta High Court against their underwriters when they refused to honour commitments.

In a fourth case, public financial institutions bought up the undersubscribed portion of equity floated by Nagarjuna Fertilizer at a huge discount of up to 30 per cent.

Ramakrishna was critical of the institutional buyers who, he said, should act before an issue closes for subscription instead of putting ordinary investors at a disadvantage by getting hefty discounts later.

BSE Executive Director M R Mayya said the stock market would collapse if broker-underwriters are forced to pay up. "The entire market will have to be declared a defaulter," he said.

Mayya said a solution was for promoters of the failed issues to share the burden because there was no money in the market.

"Everybody will have to chip in. It will be unjust to put whole burden on the brokers," he said.

Indian stock markets have been suffering a crisis of confidence following last year's secu-

rities scam, in which a group of bankers and brokers siphoned off public funds in illegal securities deals to make money in stocks.

The scam wiped billions of rupee off share values and prompted many new issues to flop as investors stayed away.

Madan Gopal Damani, a director of the BSE and president of the brokers' forum, said issue managers or promoters may have created the latest crisis involving underwriters by delaying or bunching equity floats.

But "some solution, such as finding buyers at a discount will have to be found," he said, agreeing with Mayya. "Everybody has to stay in the business."

Reuter adds from New Delhi: A flamboyant stock broker at the centre of India's biggest financial scandal has offered to testify about alleged pay-offs to politicians, his lawyer said here.

Harshad "big bull" Mehta would become a state witness, giving him immunity from prosecution, and testify about an alleged 10-million rupee (320,000 dollar) political payoff, Attorney Ram Jethmalani said.

Indian detectives probing Mehta's finances, as part of a wide-ranging investigation into the scandal, have questioned

the broker about the payment, but have not yet characterised it as a bribe.

Jethmalani confirmed newspaper reports that Mehta supposedly gave the money to a senior Congress party official at a Five-Star Hotel in New Delhi on November 4, 1991, days before Indian Prime Minister P V Narasimha Rao's crucial bye-election.

"What is not known publicly is to whom the payment was made and for what consideration," Jethmalani told Reuters.

Jethmalani said he personally thought that Mehta, now free on bail after being interrogated for 110 days in jail over his alleged role in the two billion stocks and securities scandal, should disclose everything without guarantees of immunity.

"If I wasn't his lawyer that would be my advice."

Rao's two chief rivals for power within the Congress party, Human Resources Minister Arjun Singh and former Defence Minister Sharad Pawar, have both endorsed Mehta's request for immunity.

VN Godgil, spokesman for the ruling Congress party, declined to comment on the growing controversy within the party over the issue of immunity.

He said last week that Mehta was free to name names but questioned the credibility of a man who is called 'big bull', adding that no evidence of alleged payoffs had been produced.

Indian newspapers on Monday spoke of an impending political crisis over the potentially explosive disclosures.

The Prime Minister can no longer pretend that silence is the only effective report to moves which have all the appearance of a mutiny in the making," The Times of India said.

The Prime Minister appears to be beleaguered, the ruling party's nerves appear to be numb and the nation increasingly labours under the impression that it is not being governed," The Times said.

The Hindustan Times said it was opposed to a deal with Mehta; but said investigators should get to the bottom of the mystery.

"There is too much in the undisclosed name for it to remain indefinitely unspelt out," it said.

The anti-government Indian Express said Delhi should make the deal. "A senior leader who has accepted one crore 10 million rupees (or 320,000 dollar)

from Harshad Mehta must be exposed."

Ram Niwas Mirdha, Chairman of the Joint Parliamentary Committee (JPC) probing the scandal, said his panel did not have the authority to make a deal with Mehta.

But he told reporters on Sunday that the JPC would not present its final report on the scandal to parliament as scheduled at the end of this month without going into the reports of Mehta's political payoffs.

"The whole thing is hanging in a balance with this development," Mirdha said.

Mehta, 38, has been charged with bribery, fraud and currency violations in the scandal, which was exposed in April 1992.

He is one of several brokers and bankers accused of involvement in the scandal in which money is alleged to have been siphoned from the inter-bank securities market to help pump up prices on the then booming Bombay Stock Exchange.

The scandal has resulted in the arrest of 40 people, the closure of two Indian banks and the resignations of both the country's Attorney General and Commerce Minister.

New York Times, Boston Globe agree on \$1b merger

NEW YORK, June 15: The New York Times and the parent company of the Boston Globe have agreed on a one billion dollar merger offer from the Times, a source close to the talks said on Thursday.

"We're very close to putting the finishing touches on a one billion dollar deal for the Times to buy affiliated publications Inc (the Globe's parent firm). A formal announcement is expected in the morning," the source said.

The source said negotiations were expected to be wrapped up at around midnight (0400 GMT).