India plans massive reforms in overstaffed banking sector

BOMBAY, Sept 6: After months of hesitation following India's 1.28 billion dollar securities scandal, the government is initiating sweeping reform of its over-manned and inefficient banking sector, analysts said today, reports Reuter.

India has authorised the first new private banks in two decades since the industry was nationalised, cleared the merger of two loss-making state banks and given the green light for others to raise equity capital from the market.

The government is pushing ahead with reform of the banking sector despite strong protests by trade unions.

The day after last Thursday's crippling nationwide strike by almost a million bank employees over privatisation of the banking sector, the Indian government defiantly announced its approval for state banks to raise capital through the stock markets, diluting the government's stake.

Reform of the over-staffed and slow-moving state banking sector is seen by Finance Minister Manmohan Singh as an important part of India's overall reform programme, designed to shift the economy towards a market-driven system that is integrated with the global trading system.

"The banks will have to shed their excess fat, become leaner and more efficient, said M K Sinha Deputy Managing Director, State Bank of India (SBI), the largest bank.

"The financial sector reforms and other economic reforms will have to move in tandem one supports and compliments the other, he told Reuters.

A government spokesman in New Delhi was quick to assure labour unions and leftwing parties that the government did not intend full privatisation and would keep a 51 per cent stake in state banks.

On Saturday the government announced what industry analysts said was the biggest merger of two state banks, authorising the Punjab National Bank (PNB) — one of the country's largest — to take over operations of the loss-making New Bank of India (NBI).

At the same time, the Reserve Bank of India (RBI) has given permission for the setting up of a fourth new private bank. It cleared three others in July.

Bankers said the government appeared to be determined to press head with banking sector reform, despite protests from trade unions. The reform was delayed by exposure of a 1.28 billion dollar securities scandal last year.

The government is also actively reviewing the future of the state-run insurance sector.

Industry analysts foresee a restructuring of the entire banking industry, with more mergers and possible takeovers of some existing private banks by cash-rich industrial groups.

The first bank to go to the market will be SBI, which has a 25 per cent share of total advances and deposits in the Indian banking sector.

It is 98 per cent owned by the RBI, and market analysts say the RBI's stake is unlikely to be diluted beyond 55 per cent by an equity issue expected by the end of the year.

Public sector banks have 91 per cent of all bank branches in the country and handle 86 per cent of banking business.

India's state banks are saddled with low profits and high bad debts because they are directed by the government to lend as much as 40 per cent of all commercial credit to subsidised priority sectors such as agriculture, small-scale business, cottage industries and transport operators.

Pope calls for environmental renewal

KAUNAS (Lithuania), Sept 6: Pope John Paul II issued an appeal Monday for environmental renewal during his first trip to the former Soviet Union, a nation whose land, air and water were spoiled by decades of Communist rule, reports AP.

"The earth is man's homeland," the Pope said during a morning Mass in Lithuania's second largest city.

"The earth is renewed by man. God made him in his image and likeness and gave him the earth as his inheritance ... Thus, he participates in the work of renewing the face of the earth.

"Unfortunately, he is also capable of deforming and destroying this face, as is shown by the wars and ecological disasters that cause so much damage to man and the habitat that is vital for the planet.

"Did the creator not perhaps give the earth to men and nations so that it could be watched over and cared for?"

Action Plan to accelerate growth in Brazil

By An Analyst

Although shaken by recession, the Brazilian economy remains still strong. The GDP growth was higher in recent months in the country due to implementation of an 'Immediate Action Plan'.

The new Brazilian government is determined to hasten economic growth through balanced development of agricultural, industrial and macroeconomic sectors. A financial and administrative reorganisation of the public sector has implications that go far beyond the economic sphere. The government is faced with the task of salvaging the economy. It is viewed that Brazilian economy will not begin to grow again unless it defeats superinflation that paralyses investment and disrupts productive activity. Brazilian economy is likely to come out of excess public spending if correctional measures are adopted forthwith.

The rehabilitation of government's accounts is not merely a matter of spending less and collecting more. It involves a broad reorganisation of the public sector and its relations with the private economy. The measures involve expenditure cuts, recovery of tax revenues, end of states and municipalities debt arrears to the federal government, control and strict supervision of state banks and rehabilitation of federal banks.

The Brazilian government has a plan to reduce the size of expenditure by restructuring the big public sector enterprises. This should be backed by rehabilitation of the banking system including both public and private banks.

It is the task of the Brazilian government to raise as much tax as possible from the taxpayers.

In any nature democracy, the government budget is the basic instrument through which constituted authority arbitrates the competition of various sectors of society over existing public resources. This has not been in Brazil.

Attempts to increase revenue collections through tax packages have yielded mediocre results.

Budgetary truth presupposes that the executive and legislative branches act together transparently and realistically to eliminate the public deficit, not through repression but through suppression of sources of expenditure.

The Brazilian government aims at preparing budget based on sectoral priorities.

Brazilian government effected expenditure cuts equivalent to $6 billion dollar in the 1991 budget. A draft law on budgetary regrouping was submitted to Congress recently.

While the new law is pending approval, the cuts will be implemented through quarterly expenditure quotas to be set for each ministry with a view to making the expenditure flow consistent with actual revenue. Besides aid will be given only to states and municipalities that are currently in their debts to the federal government and its agencies.

Federal revenue will immediately begin to notify over 300,000 individuals who failed to file a tax return. The Federal revenue will immediately assess additional tax from the 1500 individuals already identified by the computer system.

This should be backed by a administrative reforms for flexibility of the system. The goal is to achieve tax justice by preventing a few cleaver people from profiting at the expense of the majority.

In Brazil, the state and the municipal governments account for over 46 percent of available tax revenue. Their overall wage bill is three times the size of the Federal government's and they invest five times more.

In recent past state banks have acted as financing agencies for their states treasuries, overdone the issuance of securities and held insufficient reserves relative to deposits.

In Brazil the Central Bank will independently exercise the function of executing, warning and if necessary intervening in the activities of state banks. Orders will be given for application of the provision of the white collar law to the official financial system.

The Federal banks and financial institutions share a number of problems like overlapping of operations, dependence on federal resource flow, opening of new branches based on political criteria and heavy pressure on the Ministry of Finance. A streamlining their activities is needed at the moment.

The federal government intends to gear up privatisation programme. The programme includes gradual disinvestment of steel, petrochemicals, fertilizer and other sectors. Besides steps are underway to reorganise the public enterprises on a sound basis.

Brazilian government believes in the implementation of 'Immediate Action Plan' to lead Brazil to self-sustained growth in the midst of competition.

This article is published on the anniversary of independence of the Federative Republic of Brazil today.

This article is published on the anniversary of independence of the Federative Republic of Brazil today.

Malaysia's economy grows to 10.4pc in 2nd quarter

KUALA LUMPUR, Sept 6: Malaysia's economy grew at a robust 10.4 per cent annual rate in the second quarter from a year earlier, up from 8.1 per cent in the first quarter, Finance Minister Anwar Ibrahim announced here, reports AFP.

He said the strong economic performance was fuelled by a stronger growth in manufacturing output.

Analysts said that if growth could be sustained at this level in the second half of the year, Malaysia's Gross Domestic Product growth could exceed the 7.6 per cent forecast made for 1993 by bank Negara, the central bank.

Yeltsin slates unbridled privatisations in Russia

MOSCOW, Sept 6: Russian President Boris Yeltsin has criticised the wave of unbridled privatisations in Russia, Moscow Mayor Yuri Luzhkov said Sunday, reports AFP.

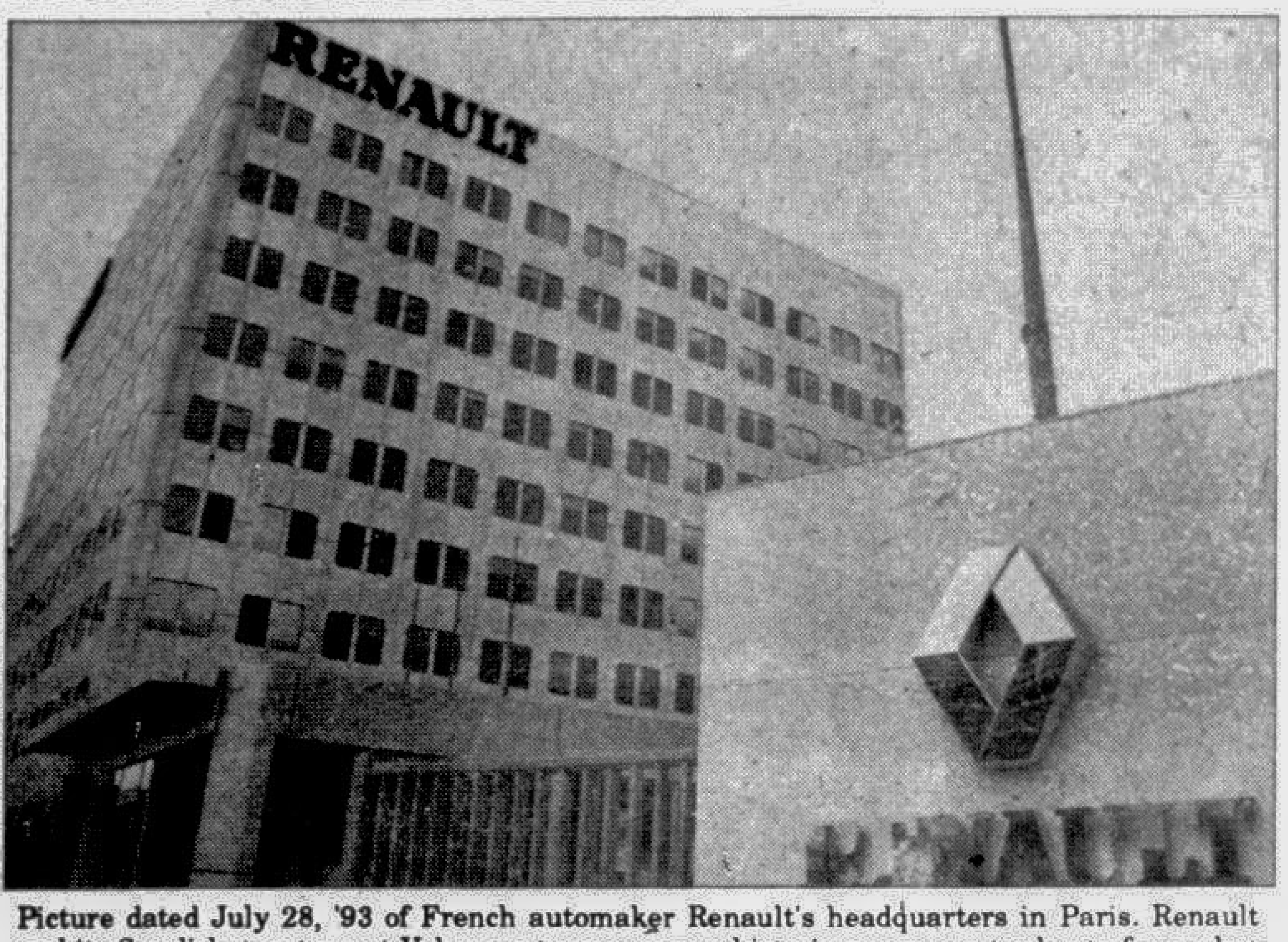
Yeltsin backed criticisms of the privatisation programme contained in a letter addressed to him by Luzhkov and Deputy Prime Minister Oleg Lobov, Russian central television quoted Luzhkov as saying.

Luzhkov told district officials the programme was taking on an increasingly "criminal" aspect with privatised concerns often "not falling into the hands of their legitimate owners."

The Mayor gave as an example the recent privatisation of the Moscow deluxe car manufacturer Zil, where the majority of the shares were sold on by a company for four billion roubles (about four million dollar) while equipment in the factory valued at 300 billion rouble.

The Moscow city council official responsible for privatisations, Larissa Pyasheva, was recently dismissed for trying to combat corruption within the programme, Luzhkov said.

The accusations came a day after Privatisation Minister Anatoly Chubais said parliament would address the problems affecting the privatisation programme later this month.



Picture dated July 28, '93 of French automaker Renault's headquarters in Paris. Renault and its Swedish counterpart Volvo are to announce a historic merger yesterday to form what will be the world's sixth biggest auto producer. — AFP photo

Chinese in HK embrace western style fish, chips

HONG KONG, Sept 6: Curious Chinese in this culinary capital of the world, where all types of cuisine can be had for a price, have embraced Western-style fish and chips with gusto, reports AFP.

At the latest arrival in Hong Kong, Brett's seafood in Bustling Wan Chai, they scrutinise the snapper, John Dory and flathead fillets laid out on ice, or eye the Sydney rock oysters at 130 Hong Kong dollars (16.80 US dollar) a dozen.

After a few minutes, they seem satisfied that the fish is what it claims to be — fresh.

"They can see what they are eating and they can see that it is fresh," said Henry Fung, a Director of Brett's Seafood Australia Ltd, a joint venture between a group of Sydney Seafood Retailers and Hong Kong Chinese distributors.

But to make a profit, the shop has to serve 500 to 600 customers a day, Fung said.

Political crisis puts Nigeria's economy in shambles

LAGOS, Sept 6: Mountains of rotting garbage in the streets and paralysis of public services in the towns compound the sense of crisis as Nigeria's leaders fail to settle their political differences, reports AFP.

Pro-democracy groups were threatening civil disobedience if the interim government headed by Ernest Shonekan did not step down by the end of the month, but for the people of Lagos, the immediate hazard was one of survival amid piles of fly-covered rubbish and the soaring prices of basis commodities.

With oil workers continuing a strike launched" in the name of democracy," fuel shortages have forced workers in both public and private sectors to stay at home.

The rise in the price of petrol, now around 20 naira (80 cent) a litre on the black market, some 30 times the official rate, has aggravated the difficulties for a population already well used to ramshackle infrastructure.

The campaign by the oil workers' union Nupeng, maintained despite a decision by its pro-democracy ally the Nigeria labour conference to call of its civil disobedience movement, has reduced fuel stocks to virtually zero.

The union was due to reconsider its position on the strike on Monday, but observers believed that the extent of the fuel shortage was such that even with a return to work it would take several days to return the country to a semblance of normality.

In the provinces, where shortages have been rampant for some months, the situation appeared less catastrophic, fuel prices having gone through the roof several weeks earlier.

The new authorities have described the petrol shortages as artificial. They attribute the oil workers' strike not only to the annulment of the June 12 presidential election and the installation of an interim government but also to the government plan to introduce a new type of fuel.

A further obstacle to normalisation is the growing shortage of banknotes, with banks complaining at the lack of liquidity as the central bank refuses to return their stabilisation funds.

Some banks are already stipulating that clients can withdraw no more than 50 naira (about two dollar).

Software exports rise to $ 223m during 92-93 fiscal in India

BOMBAY, Sept 6: India's software exports look set to touch the one billion dollar mark in two years with major international firms using the country as a base for operations in additions to domestic manufactures, reports AFP.

A number of foreign companies, lured by cheap labour and costs, have set up shop here and provided the industry with a vital shot in the arm, according to Yash Sahni, head of Tata consultancy services, India's largest software exporter.

"Outsourcing has begun on a major scale," Sahni said, pointing to ventures by Motorola, Northern Telecom, Citibank, ANZ Grindlays and Deutschebank, which have set up plans' in India to manufacture dedicated software.

An upbeat national survey, based on current trends, forecasts a billion-dollar export figure for the 1995-96 fiscal year.

Software exports in fiscal 1992-93, which ended in March, rose to 223 million dollar from 143 million dollar a year earlier. The 57 per cent increase was partly propelled by the entry of foreign firms.

Sahni said reliability, a deep sense of commitment, an excellent sales record and competent computer professionals were responsible for the boom.

"The prospects are very good... Indians have been recognised as being able to grapple with complex software problems," he said.

Vijay Srirangan of Tata Unisys, the second largest software exporter, said he foresaw a 35 per cent to 50 per cent jump in exports in a global trade worth 30 billion dollar.

British consumers demand tighter labelling laws

LONDON, Sept 6: A British Consumers' Group demanded Sunday tighter labelling laws amid renewed fears over bovine spongiform encephalopathy, the so-called mad cow disease, after revelations that shops were selling six-year old meat, reports AFP.

The Consumers' Association made the call following a Sunday Times newspaper report that meat stocked since 1987 was now making its way into butchers' shops, particularly in the southwestern country of Devon.

The European Community ordered the meat placed in cold storage to bolster tumbling prices.

But the move coincided with a wave of panic in Britain that humans could be infected by meat from animals contaminated with mad cow disease, thereby developing a human from of the condition which had often proved fatal.

"If you labelled it six years old, nobody would eat it," said an association spokesman, adding that meat so old could pose a risk to consumers.

"We have never had any problems with beef, which is stored at very low temperatures and there are constant checks to ensure this is absolutely safe, " he added.

Draft GATT farm trade accord with US

Eight EC members support French opposition

PARIS, Sept 6: As many as eight of the 12 European Community member states support France's objections to a US-EC draft GATT farm trade agreement, industry and trade minister said yesterday, reports Reuter.

"Already among the 12 there are about eight that support France on agricultural questions," Longuet told RTL radio.

"The problem is that those that are not following are important, especially Germany," he said.

"We have seen the beginning of something that looks like a movement," he said, referring to French efforts to change the so-called Blair House agreement that would cut EC subsidies.

He did not say which EC countries in addition to Germany were reluctant to change the Blair House deal although Britain and Denmark have in the past argued against tampering with the agreement.

EC foreign and agriculture ministers are set to meet on September 20 to consider France's demand that the trans-Atlantic accord be modified.

Foreign Minister Alain Juppe told IFI Television there was a chance that before the September 20 meeting there would be an EC agreement to seek changes in the Blair House deal to satisfy French objections.

"If we don't succeed, well then on September 20 I'll tell my partners that I refuse to discuss this any more because I do not want to sacrifice French agriculture," Juppe said.

"If we succeed in changing this accord, if the proposals we've made, which are reasonable, are accepted, then we will have an agreement," he said.

French and German experts met in Paris last week to discuss possible changes in the Blair House accord. Juppe said the meetings were positive.

"We don't say no to everything. We say no to the accord as it is. If it's a good accord of course we will accept it,"Juppe said.

Pindi may get $ 100m from IMF

ISLAMABAD, Sept 6: Interim Prime Minister Moeen Qureshi said here Sunday that Pakistan was likely to obtain financial assistance worth 100 million dollar from the International Monetary Fund to boost its reserves, reports AFP.

An agreement has already been reached with the IMF and the amount of 100 million dollar would be given by the end of the current month," Qureshi told a press conference.

He said the IMF assistance would be used to build up the country foreign exchange reserves, and not to meet balance of payment requirements.

When Qureshi took over in mid-July as head of a neutral government to oversee elections in October, Pakistan's foreign exchange funds had depleted to about 180 million dollar.

Qureshi, a former World Bank official, claimed that in about six weeks there had been a 250 per cent increase and the reserves now stood at around 500 million dollar.

"The country is already out of the financial crisis," he said.

"We have strengthened the budgetary position by reducing some of the administrative expenditure through enforcement of pragmatic financial policies," he said.

Qureshi blamed the financial situation inherited by his government on either "inaction or sheer neglect" by successive previous governments in coping with past economic problems.

He predicted that the country would have about a billion dollar in reserves when power was handed over to an elected government next month.

He said the agreement with IMF was standby arrangement, and that the government was also negotiating with the World Bank for a loan of 150 million dollar while expecting another 100 million dollar from the Asian Development Bank.

Pakistan was seeking an additional one billion dollar from both World Bank and the IMF and Qureshi said the matter had been left for the future elected government to negotiate terms.

"There is no reason to entertain any doubts the holding of general election," he said.

Asian stock markets close mixed

HONG KONG, Sept 6: Asian stock markets closed mixed Monday, with share prices falling in Tokyo on heavy profit-taking late in the session, reports AP.

Tokyo's 225-issue Nikkei Stock Average closed at 21,060.81 points, down 55.40 points, or 0.26 per cent. On Friday, it had climbed 133.01 points, or 0.63 per cent, to its highest closing this year.

The Tokyo Stock Price Index of all issues listed on the first section closed at 1,696.91 points, down 1.76 points, or 0.10 per cent, from Friday's finish of 1,698.67.

Prices rose initially on expectations that the Bank of Japan would cut its key interest rate later this month to bolster the sagging economy.

But the market's major barometer fell toward the end of the trading day on aggressive profit-taking, dealers said.

Profit-taking also hit share prices on the Singapore Stock Exchange, but sustained buying momentum helped the key index to finish at a new high for the fourth consecutive session.

The 30-stock Straits Times Industrials Index rose 3.69 points, closing at 2,045.36.

In Hong Kong, share prices closed mixed in light trading.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 7.53 points, or 0.1 per cent, closing at 7,519.66.

Brokers said the conclusion of the 10th round of Sino-British talks in Beijing Sunday without any reported progress on Hong Kong's political future dampened bullish sentiment.

Britain and China have been bickering over Hong Kong Gov. Chris Patten's proposals to broaden democracy in the territory before it reverts to Chinese rule in 1997.

WELLINGTON: New Zealand share prices finished slightly lower in light trading because of weakness in a couple of blue chips. The NZSE-40 Capital Index fell 6.06 points to 1,993.81.

TAIPAI: Share prices closed lower in moderate trading. The market's weighted index fell 40.76 points to 3,815.54, following's Saturday's 39.18-point rise.

MANILA: Share prices closed mostly unchanged in active trading as the market took a breather after its sharp surge last week. The Manila composite index of 30 selected issues fell 0.64 point to 1,877.11 after Friday's 35-point gain.

SYDNEY: Australian share prices closed higher, boosted by high turnover in the market's largest capitalized stock, broken Hill Proprietary Co., and good volume also in Rupert Murdoch's News Corp. The All-Ordinaries index rose 10.5 points to 1,962.5.

SEOUL: Share prices closed higher in sluggish trading boosted by measures announced by the Finance Ministry to help debt-ridden mutual fund firms. The Korea Composite Stock Price Index rose 10.11 points to 675.77.

BANGKOK: That share prices closed lower on light profit-taking.

China's first offshore gas field begins operation

BEIJING, Sept 6: China's first offshore gas field has begun operation in the northern Bohai Sea, the official Xinhua News Agency said yesterday, reports AP.

The Jinzhou 20-2 condensate gas field, off the coast of northeastern Liaoning province, is producing 1.4 million cubic meters (49 million cubic feet) of gas and more than 400 tonnes of condensate daily, Xinhua said.

The field is expected to produce 500 million cubic metes (17,500 cubic feet) of natural gas and 100,000 tonnes of condensate annually, the agency said.

Integrity of Volkswagen's freshman chief questioned?

WOLFSBURG (Germany), Sept 6: No one ever doubted the engineering process of Ferdinand Piech, long an innovator in Germany's auto industry. But what about his leadership Volkswagen's freshman chief, indeed his integrity?

In the months since he took the helm, the Porsche family scion and former Audi chairman has managed to cast in a sinister light a company that projects, as much as any other, Germany's industrial image abroad, according to AP.

Piech's priority after his January 1 ascension was to acquire for his ascension was to acquire for his recession-bruised company the star cost-cutter at General Motors, Jose Ignacio Lopez de Arriortua.

There was much gushing in Wolfsburg, a one-company town with the world's biggest car factory and what may well be the industry's most expensive work force.

But evidence began to mount that piles of secret GM documents may have been part of the deal. Volkswagen was taking hits almost daily in the German press. "Lopez—the Unscrupulous" or "The Demonic Duo," headlines read.

It was too much for the 56-year-old Piech, a man who normally shows little emotion and fastens together phrases with machine-tool precision.

Standing firmly behind the innovative Spaniard was not enough.

Piech called a surprise news conference and counterattacked, insinuating that GM documents found in the Wiesbaden apartment of two Lopez loyalists in June might have been planted by GM itself.

" We are waging an economic war," declared the wiry Austrian, his steely blue eyes burning with intensity. " We're in a mudslinging battle and we intend to do what's necessary to win."

" If Volkswagen does not in the near term turn the corner," said Piech, "then German industry, indeed the European auto industry, is kaput."

Here in the Klieg lights glare was the man who became chief of technical development at age 35 for Audi and there oversaw development of such innovations as full-body rust-proofing, all-wheel drive and the exhaust-driven air-cooled turbo supercharger.

A technical wizard, perhaps. But at a critical moment for VW, a public relations disaster. German politicians and executives groaned over Piech's nationalistic rhetoric.

"The phrase 'economic war' damages the reputation of German business," complained Edzard Reuter, who as Daimler-Benz chairman heads the country's largest industrial concern.

After his July 28 news conference, the man whose grandfather founded Porsche AG and pioneered the VW Beetle gained a new moniker in German media: " the warrior."

Ferdinand Porsche was called on by the Nazis in 1939 to build up the VW works during wartime. Now, his grandson was waging a different sort of war, one for survival against the Americans and Japanese.

GM executives were flabbergasted by Piech's July 28 riposte. They had considered their case against Lopez and the seven associates who jumped ship with him to be getting stronger by the day.

Both US Justice Department and German prosecutors were investigating the case—and testimony by GM witnesses had convinced a German judge to foil Volkswagen's attempt to bar the Hamburg newsmagazine Der Spiegel from reporting the story.

But no words of conciliation have come from Piech. Instead, he continues to insist that VW possesses no GM secrets—even after his company admitted this month that some documents that might have contained sensitive information actually made it onto VW property and were destroyed.

Piech, reported to be worth as much as three billion dollar is getting more press than Lopez these days. Germans have learned that he has 12 children by at least three women and is on his second marriage, which a VW official confirmed but only on condition of anonymity.

Piech and his 35-year-old wife Ursula, the former family governess, live with their three children in a thatched-roof home not far from Wolfsburg that has 9-foot (2.7 meter) thick walls. Videocameras and a police guard, says Bunte magazine.