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NAFTA goes into effect

MEXICO CITY, Jan 1: Long-established trade barriers between the US, Mexico and Canada will start tumbling down today when the North American Free Trade Agreement goes into effect today, January 1, 1994, reports Reuter.

The implementation of NAFTA will mean immediate disappearance of taxes on many good while other trade barriers will be phased out over a 15-year term.

No one expects the borders between the three countries will be instantly glutted with trucks bringing in a rush of goods, but some benefits of the trade pact will be immediate.

A US government study said that 84 per cent of Mexican imports to the US will immediately be free of taxes, versus 46 per cent of US goods entering Mexico. In 15 years, the study said all goods going both ways will be duty-free.

Travelers to Mexico will see the impact of the trade pact when they arrive here Saturday and are greeted by duties of 20 per cent, versus the current 32 per cent, for any goods not yet totally exempt from taxes, the Mexican trade ministry said.

Among the items that Mexico can now ship tax-free to the US are a range of auto parts, electronic goods, wooden furniture, televisions and radios, toys and tequila.

Conversely, the US can ship tax-free into Mexico computer accessories, cellular telephones, airplanes, earthmoving equipment and assorted food items. For Canada, the list of tax-free goods, exported to Mexico includes telecommunications equipment, television parts, camera parts and certain foods.

The long-term goal of the NAFTA is to stimulate growth in a free trade zone that encompasses 36 million people and has a combined economy of 6 trillion.

Along with the benefits of the NAFTA, its long-awaited arrival brings uncertainties.

The government-owned El Nacional newspaper said in a Friday editorial that NAFTA is the start of "an era whose perspectives are not only very promising, but also somewhat unpredictable, above all in its first months and years.

"With the elimination of tariffs, nobody knows with precision how the flows of business and investment will behave," it said.

During the US NAFTA debate, opponents said they would lose millions of jobs to Mexico where wages are lower.

But Mexicans were not without their own reservations a number of business leaders here argued that the disappearance of protective taxes and investment laws would result in the demise of companies unaccustomed to international competition.

A western diplomat said many Mexican companies, historically protected by their government, have not invested in their business and as a result, are stuck with outdated equipment, poor quality and low productivity.

"There is no doubt our manufacturing industry is way behind that of the United States and Canada, we just don't have the equipment and trained personnel," said economic commentator Sergio Sarmiento.

But, Sarmiento said he expects what has become a flood of foreign investment in Mexico to continue and grow, which will produce news, modern plants that can compete in world markets.

New Mexican laws accompanying NAFTA also open vast sectors of the economy to foreign investment.

"Anything a Mexican can do in Mexico can now also be done by someone from the US and Canada," the diplomat said.

Manpower Deptt in Indonesia registers 630 strikes

JAKARTA, Jan 1: Indonesian manpower authorities registered 630 strikes in the past five years, the official ANTARA news agency said today, reports AFP.

ANTARA quoted an unidentified spokesman for the Manpower Ministry as saying the strikes involved 335,578 workers and caused losses of up to 2.7 million man hours.

The officials said that most of the strikes took place in enterprises which had failed to follow the government's minimum wage standards. The official also added that the largest number of strikes was recorded in 1992.

Manpower officials have said Indonesia saw a total of 156 labour strikes involving at least 90,000 workers in 1993. The figure for the whole of 1992 at 251 strikes involving 143,000 workers, statistics showed.

Although the government recognises strike as a labour right, it has always exhorted workers to avoid striking and instead report their problems to the Manpower Ministry or take their cases to court.

China creates floating, single exchange rate

BEIJING, Jan 1: China cut its official exchange rate by 33 per cent on Saturday to 8.7 yuan to the US dollar, bringing it in line with rates at state-run currency markets used by foreign businesses, reports AP.

The move, intended to improve conditions for foreign investors and help China's bid to join the General Agreement on Tariffs and Trade world trade forum, abolished the two-tier exchange system for tourists and others exchanging hard currency.

The central bank said people holding Foreign Exchange Certificates (FEC) could continue to exchange them at the old rate of 5.8 to the US dollar. But it said no new FEC will be put into circulation.

Businessmen had long complained that the dual currency system made it hard to repatriate profits.

The official Xinhua News Agency reported that the new unified rate was the average price of the US dollar at the swap centres Friday.

Using the swap market rate "will boost the confidence of the public in the Chinese currency and can be accepted by enterprises since most of them have long been running business at the swap market rate," Xinhua quoted Tao Liming, a financial expert, as saying.

The Xinhua report said exchange rates between the Chinese currency, or renminbi, and other currencies also was adjusted.

Xinhua said the exchange rates at the swap centres will be an "important and reliable reference" in setting daily rates "since it basically reflects the market demand and supply and has been accepted by the general public."

China plans to eventually establish an inter-bank foreign exchange market.

Govt sanctions Tk 12.80 cr for construction of Barisal div HQ

BARISAL, Jan 1: The government has sanctioned an amount of Taka 12.80 crore for construction of headquarters of newly created Barisal division at Ichakathi, Divisional Commissioner M A Rashid said here today, reports BSS.

Speaking at a function in celebration of the first anniversary of the establishment of Barisal division, he said it was the desire of all to give a full shape of the new division through construction of office buildings.

Held at the conference room of the Commissioner, the function was also addressed by Mujibar Rahman Sarwar MP, B D Habibullah, Ziauddin Ahmed, DIG of Police, and Principal Abdur Rashid Khan.

A cross-section of people attended the function.

The AGM of Mediaworld Ltd., the owning company of The Daily Star, was held on December 30, '93. Azimur Rahman (Centre), Chairman of the Board of Directors, presided. Photo shows (L to R) company directors Shamsur Rahman, Rouf Choudhury, A S Mahmud (Managing Director), Latifur Rahman and Mahfuz Anam. Company Secretary Ahsan Chowdhury is seen on extreme right.

India adjusts reference rate for rupee

BOMBAY, Jan 1: The Reserve Bank of India (RBI) said it had adjusted its reference rate for the rupee to 31.3800 against the dollar for 31.3700, the rate prevailing for the past few months, reports Reuter.

The reference rate is set daily based on the rates of a few select banks in Bombay.

It gave no reason for the downward revision. The RBI was officially closed for new year's eve.

The rupee was quoted around 31.3650/25 in late afternoon trade by Bombay banks.

The rupee was floated in March this year, and has held steady around current levels for the past eight months, buoyed by strong dollar inflows.

Foreign exchange dealers forecast a 2-3 per cent depreciation over the next 12 months.

Workers' leaders accused of siphoning fund in Lanka

COLOMBO, Jan 1: The deputy of Shri Lanka's most powerful trade union Friday accused his leader and patriarch of the plantation workers of siphoning party fund; and financial mismanagement, reports AFP.

The General Secretary of the Ceylon Workers Congress (CWC), M S Sellasamy, charged that his leader Sauvmiamoorthy Thondaman had illegally transferred up to four million rupee to his own accounts.

"I am coming out with this because I want these things to be rectified. If we keep silent, people will ask us why we kept quiet. I will also address some meetings to explain to our people," Sellasamy told reporters here.

The allegations came amid a rift between the two CWC leaders over support to the ruling United National Party (UNP) at a regional council. The UNP depends on crucial support of the CWC to control the central and local councils.

The CWC leader Thondaman is also a member of the Colombo cabinet but has fallen out of favour with President Dingiri Banda Wijetunga over his moves to withdraw support to the government in the central provincial council.

"Thondaman has taken this decision (to withdraw support) without any consultations with the general secretary or anybody. But that is not going to solve our problems," Sellasamy said.

He said he was also boycotting an executive committee meeting of the CWC summoned by Thondaman for Sunday. "Traditions have not been followed. There is no agenda for the meeting. So I will not attend that meeting," he said.

Sellasmay has remained in the shadow of his high profile leader for over 28 years.

IBM chief dies

NEW YORK, Jan 1: Thomas Watson, who led IBM into the computer age and oversaw the firm's stunning growth in the 1950s and 60s, died yesterday at the age of 79, reports AFP.

Watson died of complications from a stroke, a spokesman for International Business Machines Corp said.

Following in his father's footsteps, Watson became President of IBM in 1952 and served as Chief Executive officer from 1956 to 1971.

During his tenure IBM's annual revenue soared from 700 million dollar to 7.5 billion dollar, chalking up the best growth record in modern business history.

He also led a company known as a marker of typewriters and adding machines into the world of computers.

Watson also served as ambassador to the Soviet Union under then President Jimmy Carter in the late 1970s.

Watson's father founded IBM in 1914.

Oil prices pass year at its lowest since '88

LONDON, Jan 1: The world price of oil ended the year at its lowest since 1988 after collapsing under a weight of excess supply, reports Reuter.

Pundits say there may be more cheap oil next year, demand for petroleum which fell in 1993 for the first time in a decade remains weak in the present, sluggish global economy.

"It's murky now," said Geoff Pyne, and energy economist with UBS Securities in London. "But the price may improve later in 1994 if there is an economic recovery."

Speculation that the UN may end its Gulf war embargo on Iraqi oil sales late in 1994 has also hit prices.

London February brent blend crude futures ended 1993 yesterday at a new five-year low of 13.20 US dollar per barrel, the weakest level for the near-month contact since November 1988.

Brent has dropped in 14 months, from almost 21 US dollar. It began 1993 by falling through 18 US dollar allowing for inflation, prices are no better than before the 1973 Arab oil embargo when OPEC wrested control of pricing from the west.

Cheap oil may help curb inflation and fire up western industrial activity.

But it causes economic distress in poorer third world OPEC producers, some beset by unrest.

Algeria now needs help with its debt. Iran has debt arrears of 8 billion dollar. Venezuela's new President Rafael Caldera, will inherit a shrinking economy and 45 per cent inflation.

Small US producers are also asking the Clinton administration to act, perhaps with import curbs, to help them.

"I think when the world comes back to work next week, we will review these issues," said US Energy Secretary Hazel O'Leary.

Earlier gluts when prices collapsed in 1986 and 1988 were mopped up by Saudi Arabia, the biggest producer, and the rest of OPEC which set new quotas to curb their output.

But western industry executives say that this time, Saudi Arabia is refusing to cut its quota of 8.0 million barrels per day (BPD) — about 12 per cent of all world oil — unless other producers in and outside OPEC join it in concerted reductions.

The Saudis see no reason why they should sacrifice market share just to give other a free ride.

Russia this week told a Gulf Arab envoy, Omani Oil Minister Said Bin Ahmed al-Shanfari, that it was ready to cooperate.

But such key producers as Britain and Norway, which have just pushed their daily North Sea output to a record total of 5.0 million BPD show so sign of cooperating.

Some OPEC-Watchers think Saudi King Fahd will relent, perhaps in mid-January, and consent to emergency OPEC talks to set new quotas.

British-based analysts Wood Mackenzie recall that the 1986 oil price collapse ended after the United States sent Vice President George Bush to Riyadh "to ask the King to raise prices to help a desperate US oil industry".

But it may be the Saudis are ready to sweat it out as long as it takes for weak prices to GNAW away at investment in North Sea and other new fields and reduce the surplus the hard way.

"Production will be cut but it won't be OPEC's" says Bernard Picchi at Kidder Peabody.

"Low oil prices are inevitable," agrees the centre for global energy studies, a London-based consultancy led by the former Saudi Oil Minister, Ahmed Zaki Yamani.

Singaporean economy grows by 9.8 pc

SINGAPORE, Jan 1: Singapore Prime Minister Goh Chok Tong announced here a 9.8 per cent economic growth rate for the year and told Singaporeans they could look forward to another good year, reports AFP.

But Goh, in a new year message released by his office, also warned of a long-term problem posed by the city state's rapidly ageing population.

The growth rate announced by Goh is way above a projection by the trade and industry ministry last month that the gross domestic product (GDP) would grow at close to nine per cent.

The GDP grew at a rate of 5.8 per cent last year.

Goh said 1993 was also the first time in five years that productivity growth outstripped growth in real wages.

Goh said this year's growth was broad-based, with the financial and business services sector, especially the stock market, performing exceptionally well, while the manufacturing sector showed signs of slowing down.

"Singaporeans can look forward to another good year in 1994. The Ministry of Trade and Industry forecasts 1994 growth at between eight and nine per cent," Goh said, adding that 1994 looked promising because of an improving world economy.

Indian industry heaves a sigh of relief

NEW DELHI, Jan 1: Indian industry ushered in 1994 with a collective sigh of relief that Finance Minister Manmohan Singh will continue at the helm of a radical economic reform programme, reports AFP.

The announcement that Prime Minister PV Narasimha Rao had rejected Singh's resignation over India's biggest financial scandal was widely greeted today as a new year's gift to the nation.

"We are happy that .... Singh will continue to be the Finance Minister and lead the process of conceptualisation, development and implementation of reform", said the Federation of Indian Chambers of Commerce and Industry.

M C Gupta, the federation's Secretary-General, said the popular Finance Minister's continuance was in the "larger interests of the nation."

Jamsheyd Godrej, chief of the Confederation of Indian Industry, concurred enthusiastically, "India needs Singh at the helm of affairs at this very crucial mid-point in the reform process," he said.

Rao kept the nation in suspense for a week before writing to Singh on Friday to say he was rejecting his resignation in light of the "enormous agenda the government had mandated itself to address" on the path of economic liberalisation.

Singh, 61, the helmsman of the reforms which turned India's back on four decades of semi-socialist autocracy, offered to quit after a Parliamentary panel which probed last year's securities scam strongly criticised his ministry.

In its report unveiled December 21, the bipartisan committee blasted the ministry for failing to anticipate and detect the scam, in which bankers and brokers stole 1.3 billion dollar in bank funds to play market.

The scam emerged in April 1992 and ended a stock market boom the government had projected as a result of investor euphoria over the opening up of India's hitherto protected economy.

Industry had greeted Singh's resignation with despair, calling it a disaster for the nation at a time when the economy was rebounding, and voicing fears that the reforms would be derailed.

Opposition parties were quick to mount pressure on Rao to accept the resignation, saying Singh had only done the honourable thing, although no one questioned the Finance Minister's personal integrity.

Predictably, the opposition strongly protested Rao's decision to retain Singh, who symbolished the spirit of reform.

Japan's 11 major banks to cut 10,000 jobs

TOKYO, Jan 1: Japan's 11 major commercial banks plan to cut a total of 10,000 jobs in three years to March 31, 1996, as part of their streaming efforts, the Nihon Keizai newspaper reported today, reports AFP.

They will also close more than 100 branches and smaller outlets in the fiscal year to March 31, 1994, and will continue to reorganise themselves at a similar pace in the following years, the newspaper said.

The banks, which have a combined workforce of 150,000 at present, will reduce jobs through curbs on employment of new graduates and the reassignment of employees to affiliated firms, the newspaper said.

It added that some of the banks were considering paying extra severance allowances to promote early retirement of employees to cope with heir financial woes caused by swollen bad loans.

The banks are expected to liquidate more than two trillion yen (18 billion dollar) of non-performing loans in the current fiscal year, Nihon Keizai said.

More American women joining US labour force

NEW YORK, Jan 1: More American women are joining the US labour force, but they will not make up a majority of the work force in the near future though American women outnumber men, reports Xinhua.

The percentage of women aged 16 or older in the work force grew to 58 percent in 1992—from 51 percent in 1979, while the percentage of men in the labour force fell to 76 per cent from 78 per cent. As a result, women's share of the labour force rose to nearly 46 per cent from 42 per cent, the Wall Street Journal reports.

The Bureau of Labour Statistics projects that in 2005 women will make up about 48 per cent of the US civilian work force. The agency expects the growth in the number of women in the work force to slow down, rising to 63 percent by 2005. The decline in the number of men working also should slow, fall in to 75 per cent.

Women aged 35 to 44 have seen the fastest gains in labour force participation, from 64 per cent in 1979 to 77 per cent in 1992. The rate is expected to rise to 80 per cent by 2005, below the anticipated 94 per cent rate for men of the same age. Women aged 25 to 34 aren't far behind, with 81 per cent expected to be in the work force in 2005, compared with 94 per cent for men.

Oman, Russia to help firm up oil prices

DUBAI, Jan 1: Oman and Russia have agreed to form a joint action team to try to find ways to stabilise world oil prices, the Oman news agency said on Thursday, reports Reuter.

The agreement was reached during a visit by Oman's Oil Minister Said Bin Ahmed Al-Shanfari who left Moscow on Thursday after talks with Russian oil officials.

"An agreement was made between the Omani and Russian sides to form a joint action team ... to discuss sure ways of bringing back stability to oil prices" the agency said.

The Omani agency, monitored in Dubai, said Russian officials expressed their willingness to cooperate in order to gain control over a decline in world oil prices and return stability and balance to oil markets.

Shanfari has been visiting several non-OPEC oil producing states this week to try to persuade them to cut their oil output.

World stock markets end year at record highs

LONDON, Jan 1: Stock buying fever gripped much of the world from Warsaw to Manila in 1993 and a clutch of markets from Mexico to Malaysia end the year at record highs, reports Reuter.

Some of the most spectacular gains were in the so-called "Tiger" economies of South East Asia, with a buying frenzy seizing investors who foresee a boom in the region because of China's economy awakening.

Hong Kong, Malaysia, Shanghai and Mexico shares closed the year at record levels and many markets in the world were closed to their all-time highs.

Prospects for strong economic growth in Asia and Latin America in 1994 helped fuel the markets and to some the stock market seemed a sure winner.

"Everyone is getting into it. In this kind of bull-run, all you have to do is throw a dart an you'll make money," said a Singapore Advertising Manager.

Singapore's blue-chip Straits Times industrials index has shot up by about 60 per cent from 149.70 at the end of 1992.

But Singapore's gains, which far outstripped the paltry rise of 2.5 per cent on the year by the Tokyo exchange, were in turn overshadowed by rises of 80 per cent in Taiwan, 115.7 per cent in Hong Kong and more than 150 per cent in the Philippines.

The Taipaei market close at a 30 month high of 6,070.56 yesterday. The Hong Kong market shrugged off a few between Britain and China over democratic reforms in the colony and its blue chip Hang Seng index ended the year at a record 11,888.39.

Superstitious dealers noted the index's three "eights," which in Cantonese is a homonym for growth and prosperity.

India too, seeking to liberalise its economy, became caught up in the stock-buying enthusiasm an the Bombay sock exchange 30-share index ended the year 41 per cent higher at 3,346.0.

In Europe, the star was Poland, an ex-communist state which has embraced capitalism. Warsaw's all-share wig index rose 677 per cent in dollar terms over the year.

West European bourses, buoyed by bright economic prospects and the belief in yet lower interest rates, rose more sedately but still did well.

London, Europe's biggest bourse, notched up a 20-per cent rise in 1993, with the Financial Times Stock Exchange Index of 100 leading shares ending at 3,418.4.

Germany, suffering is worst recession since World War two, nevertheless saw its DAX index of 30 leading shares ending the year at 2,255.20, a 47 per cent increase.

Kollol International Ltd arranged a function at a local hotel in the city yesterday on the occasion of marketing goods produced by Cadbury's India Ltd. — Star photo