India's Planning Commission slams reform implementation

NEW DELHI, Jan 8: India's Planning Commission has slammed the government's implementation of economic reforms begun four years ago, saying foreign investors still need to wade through too much red tape, reports AFP.

"Even after four years of reforms, a private investor has to secure at least 39 clearances to roll a project," The Economic Times today quoted a mid-term review by the commission as saying.

Legal procedures are not in tune with the spirit of the reforms, the Planning Commission said, describing it as sad commentary on the liberalisation policy aimed at dismantling protectionist barriers.

The commission also said that "the government should home in on paring the revenue deficit rather than reducing the fiscal deficit.

"Once the revenue deficit is tamed, fiscal deficit will be taken care of," it said.

The fiscal deficit has been forecast by various trade bodies at around 23 billion dollars in the fiscal year ending March 31, higher than the government's projected figure of 18 billion dollars.

The government of Prime Minister PV Narasimha Rao has opened up the Indian economy to foreign investors since taking power in June 1991 and dismantled many of the semi socialist controls imposed by previous governments.

Another reports says: Indian Commerce Minister Palaniappan Chidambaram said yesterday that New Delhi was committed to its 1991 free-market reforms and was not afraid of overseas competition.

"We do not fear multinationals," the Harvad educated Chidambaram said, apparently referring to visiting Singapore leader Lee Kuan Yew's admonition on Friday that India needed to shed its scepticism about foreign companies.

Critics say multinationals would hit domestic industry through unequal competition, aided by their huge reserves of capital.

Chidambaram said India's growth rate had ballooned from one per cent in fiscal 1991-92 to 6.2 per cent in 1994-95, spurred by the policy of liberalisation.

Lee, in an address to India's top three trade chambers had slammed the policy of economic self reliance espoused by Mahatma Gandhi as being outdated in the present world trade era.

Meanwhile, Indian Finance Secretary Montek Singh on Saturday predicted a continuing annual growth rate of between six and seven per cent, saying inflation, foreign debt and other deterrents can be contained.

Palestinians hope to convince 50 states to honour donation pledges

JERUSALEM, Jan 8: Palestinians and UN officials, buoyed by the expansion of self-rule and an improved lobbying strategy, hope to convince 50 countries gathering in Paris today to honour past pledges for donations, reports AFP.

The Palestinians and the United Nations will be asking donors to come up with a total of about 625 million dollars out of the 2.4 billion dollars pledged in 1993 for the first year of self-rule, officials said.

Most of the money is for infrastructure projects, but 75 million dollars will go to the costs of running the Palestinian Authority (PA) during 1996.

The Palestinians are well prepared for the meeting, according to Majdi Khalidi, Director-General of the Planning and International Cooperation Ministry.

They have urged donors to review a detailed list of projects drawn up by the United Nations and the World Bank including from building a port in Gaza City, improving hospital services in the West Bank town of Hebron and computerizing the authority's offices.

"We used to just ask the donors to support the police or civil servants," said Khalidi.

"Now we are more mature. We are explaining to them exactly why we need 128 million dollars for sewage and water. We are giving them something prepared so that they can shop and see."

The gathering, to be attended by Palestinian leader Yasser Arafat and an expected 30 foreign ministers, is the biggest of its kind since talks in October 1993 a month after the signing of the declaration of principles for autonomy in the Gaza Strip and the West Bank town of Jericho.

Perhaps the most imaginative project to be discussed is a plan for an elevated highway through Israel to connect the West Bank and Gaza Strip.

British Home Secretary Michael Howard (L) leaves the site of burning drugs along with Major General Salahuddin, Director General of Narcotic forces of Pakistan at Attock, 100 km from Islamabad, on Sunday. Some 20.5 tons of hashish and 159 kg of herion were set ablaze by Howard, who is here for a three-day official visit. — AFP/UNB photo

India, UK sign technology pact

NEW DELHI, Jan 8: Britain's Secretary for Trade and Industry Ian Lang signed a science and technology pact with India today which will help British investors boost their presence in India's expanding market, reports Reuter.

Lang, who is also the President of Britain's board of Trade, signed the agreement with India's Junior Science and Technology Minister Bhuvanesh Chaturvedi.

The agreement expands the scope of the Indo-British Partnership (IBP) alliance, launched in 1993 to increase trade and investment opportunities between the two countries.

IBP officials said the agreement will involve exchange of information on technology and related issues, making India an easier destination for British investment.

"Special emphasis is now being placed on bringing together small and medium-sized companies on events in India's non-metropolitan cities and on strengthening links in the field of science and technology for the mutual benefit of both countries," Lang told a group of scientists and businessmen after signing the agreement.

Lang is heading a 30-member delegation of businessmen, academics and scientists on a five-day visit to India. He is scheduled to meet Prime Minister Narasimha Rao and finance Minister Manmohan Singh later today.

Accompanying Lang are senior executives of British Aerospace, rolls Royc, Thorn Emi PLC and British Gas PLC.

"The potential (for business) is so huge that India remains a magnet. These are the kind of opportunities British business cannot ignore," Lang told reporters at the weekend.

India is Britain's 20th largest market, both for exports and as source of imports, while Britain is India's fourth largest export destination behind the United States, Japan and Germany.

Lang also announced the setting up of a research collaboration fund worth over 10 million rupees (286,000 dollars) which will offer financial grants to help closer links between research teams in the United Kingdom and India.

Lang also opened an Indo-British telecommunications seminar which will examine the scope for collaborations in the industry, currently being opened up to the private sector in India.

"Liberalisation and deregulation have created a very fertile environment for technological innovations driven by the needs of users both in business and in society in general," Lang said.

India, with a current telephone density of one for every 100 and a strong middle class population, has attracted most of the world's top telecom giants into the country.

New Japanese govt may continue to play hard ball on int'l trade

TOKYO, Jan 8: The new Japanese administration to be named this week is expected to tackle financial reform and the bad debt crisis at home and continue to play hard ball on international trade, analysts here say international trade and industry minister Ryutero, according to AFP.

Hashimoto is widely expected to succeed Tomiichi Murayama as Prime Minister when the latter formally resigns at an extraordinary session of parliament on Thursday.

The ruling coalition — the Liberal Democratic Party (LDP), Social Democratic Party (SDP) and New Party Sakigake — met over the weekend to decide on a new prime minister and draw up a policy accord for the new administration, including financial reform and resolution of the bad debt crisis involving housing loan companies, reports said.

Finance Minister Masayoshi Takemura has said he does not wish to serve in the new cabinet, preferring instead to focus on matters within Sakigake in the lead up to general elections widely expected mid-year.

It was not clear who would replace Takemura in the finance portfolio, nor who would take up the charge of the International Trade and Industry Ministry.

Yomiuri Shimbun reported the LDP wanted its own men in the two key posts, as well as in the agriculture, forestry and fisheries ministry, to strengthen the government's hand when parliament resumes on January 20.

Takemura has come under fire for his ministry's handling of the stagnant economy, and the 1.1 billion dollar bond fraud by a Daiwa Bank employee in New York, and the loan company issue, which is expected to dog the new administration.

Hashimoto said on Friday that the need to restore confidence in Japan's financial system was a priority for the new administration and emphasised the need for full disclosure of information on the housing loan companies.

"It is quite necessary to disclose information how past governments have made decisions on the financially-troubled housing loan companies," he said.

The opposition Shinshinto, led by former LDP power broker Ichiro Ozawa, has vowed to attack the government over its handling of the issue and in particular has targeted Hashimoto for questioning over his own responsibility.

Hashimoto was finance minister in 1990 when the government restricted real estate lending, but excluded the housing loan companies, or Jusen, from its edict, which Ozawa says allowed the 6.4 trillion yen (61 billion dollars) bad debt build up to occur.

Ozawa is also likely to voice in parliament public criticism of the use of 685 billion yen in taxpayers' money to liquidate the Jusen.

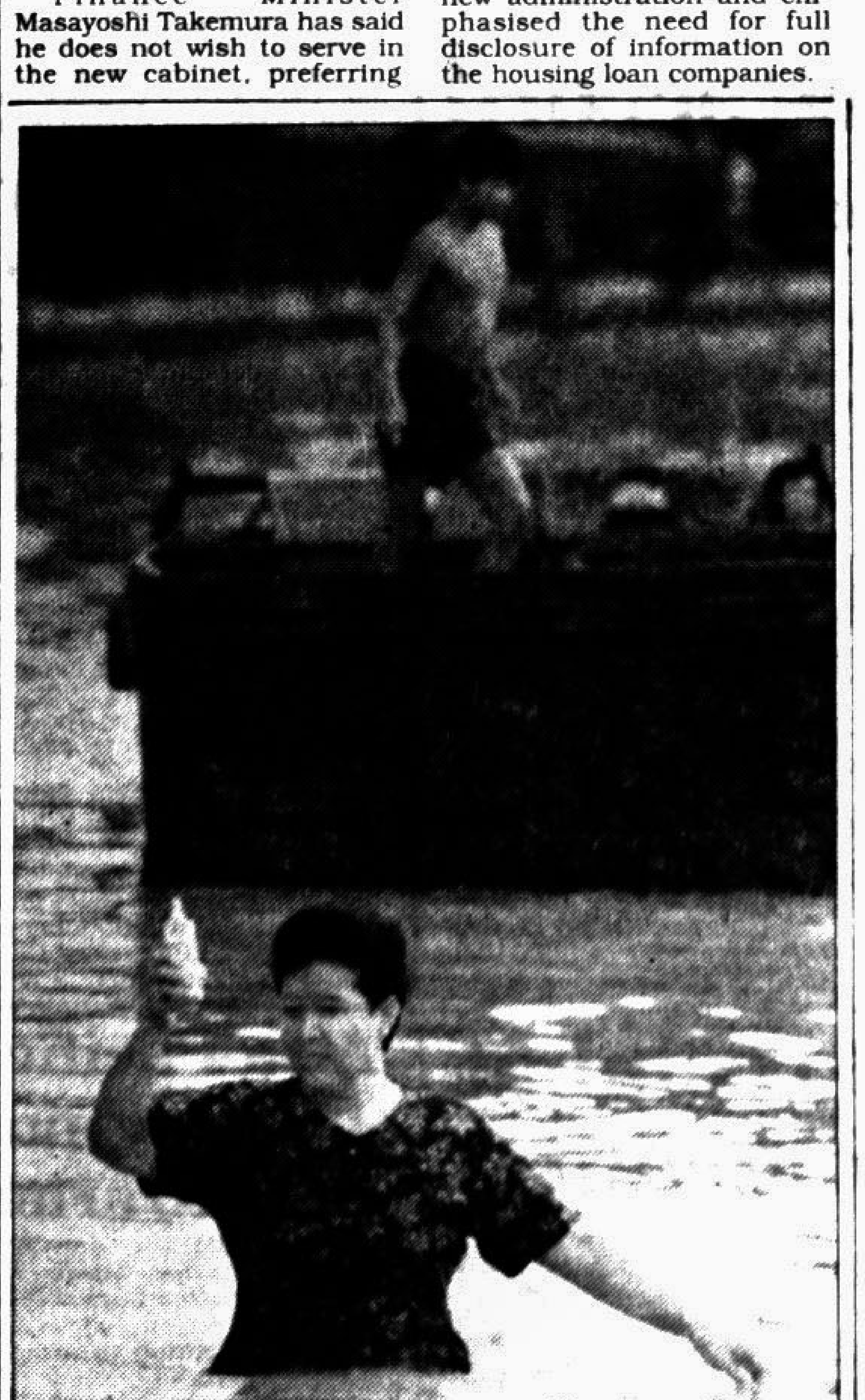
Washington for its part does not expect relations to worsen in dealings with a Hashimoto - led administration.

"We believe that once a successor has been selected, we will continue to have the same good relationship with the new prime minister that we enjoyed with Prime Minister Murayama," said White House spokesman Michael Mccurry, adding "Hashimoto is well-known to US officials. He is highly respected."

Mccurry said Hashimoto "enjoys an excellent working relationship" with US Trade Representative Mickey Kantor, his opposite number in tough trade talks.

Analysts have said the Clinton administration could expect Hashimoto to maintain stiff resistance to US demands for further opening of Japanese markets, which the White House views as critical in addressing the more than 60 billion dollar trade gap with Japan.

Japanese broking analysts said the conservative LDP, which ruled Japan singlehandedly for 38 years until 1993, was seen as stronger than Murayama's SDP in pushing through measures that would benefit the economy.



A local resident makes her way past a submerged truck, as she carries a baby bottle from her flooded home in central Jakarta on Sunday. Heavy floods in the capital and its surroundings caused three people to die while submerging thousands of structures. — AFP/UNB photo

Investment services rule eased in France

PARIS, Jan 8: France moved to ease cross-border access to investment services Wednesday, unveiling legislation meant to bring it in line with European Union law. Finance Minister Jean Arthuis said the legislation was the cornerstone of a series of reforms, including the creation of private pension funds, aimed at maintaining Paris as one of Europe's main financial centres. "We need to gird Paris for the tough competition with London and Frankfurt," Arthuis said during a press conference, reports AP.

Gulf Arab states firm to pursue economic reforms

ABU DHABI, Jan 8: Gulf Arab states are resisting the temptation of an improvement in oil prices by keeping spending low, in a clear indication they are determined to pursue reforms to remedy their economic maladies, reports AFP.

Saudi Arabia and Oman released their new budgets this week showing they are serious about austerity measures aimed at tackling their deficits, although defence expenditure remained as high as one-third of the total spending.

The United Arab Emirates (UAE) has said its 1996 spending will not be higher than that in 1995, while Kuwait, which releases its budget in July, has made clear it will continue to put a brake on state spending. Qatar and Bahrain have followed similar financial policies over the past three years.

Budget figures released by two Gulf states this week proved they are committed to reforms," a Gulf bank manager said.

"They could have raised spending because of an improvement in oil prices. But this could lead to a higher deficit, which is against financial reforms."

Oil prices averaged around 17 dollars in 1995 compared with 15.5 dollars in 1994 and they began the New Year even firmer because of a cold spell in the west.

Most Gulf states tailor their budgets to an oil price of 14-15 dollars to guard against sudden fluctuations that have played havoc with their budgets over the past years and made their economies highly vulnerable.

The six Gulf states, which make up the Gulf Cooperation Council (GCC), trimmed expenditure to 68.7 billion dollars in 1995 from 71.4 billion dollars in 1994 despite the oil price recovery. Most of the cut was made by Saudi Arabia, which reduced spending to 40 billion dollars from 42.6 billion dollars.

The kingdom, the world's biggest oil producer and exporter, maintained the level of spending for 1996 and will likely keep it unchanged until 1999, when its sixth development plan ends, according to bankers.

The 1996 spending forecast is the lowest in more then two decades and if oil prices maintain their strength through the year, the projected deficit of around 4.9 billion dollars could be wiped out by the end of the year, the bankers said.

"The budget was prepared in line with the king's instructions, which stress the need for a balanced budget, given its importance in strengthening the economy and increasing growth rates," the Saudi Ministry of Finance and National Economy said in a statement after releasing the budget on Monday.

In Oman, spending for the 1996-2000 development plan was cut to 10.09 billion dollars from 10.80 billion dollars in the previous five-year plan, slashing the deficit to 1.39 billion dollars from 5.82 billion dollars.

The country, which is not an OPEC member, approved lower spending although it expected its oil production to increase to 880,000 barrels per day (BPD) towards the end of the plan from around 840,000 BPD currently.

But the plan envisaged an increase of around 87 per cent in investment to 7.28 billion Omani riyals (18.9 billion dollars). Around 56 per cent will be invested in the energy sector as nearly eight billion dollars will be pumped into a gas liquefaction project with a capacity of six million tonnes per year.

Decree in Kota Baru

Men, women must stand in separate lines at six supermarkets

KUALA LUMPUR, Jan 8: A Malaysian state ruled by a fundamentalists Islamic Party has decreed that men and women must stand in separate lines at supermarkets in the state capital, the national Bernama news agency said today, reports Reuter.

The city council in the Kelantan state capital of Kota Baru said the ordinance would take effect from January 12 in the city's six supermarkets.

Bernama quoted Cheah Meow Lin, General Manager of the store in Kota Baru, as saying the new ruling would inconvenience husbands and wives who go shopping together.

The northern state of Kelantan is Malaysia's only opposition-ruled state. The All Malaysia Islamic Party is trying to establish Islamic law in the state but has been opposed by the multi racial federal government.

The state legislature has approved an Islamic criminal justice system that punishes thieves with limb amputation and adulterous women by stoning them to death. it has not been implemented because it requires an amendment to the federal constitution.

Islam is the official religion of Malaysia and just over half of the population to of 20 million are Muslim. But Prime Minister Mahathir Mohamad's administration has pursued moderate Islamic policies.

Taiwan set to levy tax on capital gains

TAIPEI, Jan 8: In a move expected to shatter market sentiment and alarm investors, Taiwan's Parliament passed legislation to reimpose a capital-gains tax on stocks, according to Wall Street Journal Service.

The measure, approved after the Taiwan Stock Exchange closed, slaps a 14 per cent tax on income from stock investments for institutional, retail and foreign investors. To encourage long-term investment, the plan offers a preferential tax rate of seven per cent on stocks held for more than a year.

The tax will be calculated separately from the income tax. After the measure is approved by the president, Taiwan's Finance Ministry will decide when it will take effect, Deputy Finance Minister Wang Cheng-yi said.

The quick passage of the capital-gains tax, abolished in 1990, stunned many observers, who had expected the unpopular bill to be shelved until after presidential elections in March. The tax was first proposed by the Ministry of Finance in January 1994.

Shock Waves

"It came as a total surprise. We didn't know the Parliament would pass such an unfavourable bill before presidential elections," said Tu Jin-lung, Vice President of Grand Cathay Securities Corp, a local brokerage firm.

The move would send shock waves through Taiwan's stock market, said Tu. He predicted Taiwan's Weighted Price Index might sink to as low as 5077 points later this week on the news. The index shed 27.69 points to close at 5146.04 on Thursday (January 4).

Michael Hung, an analyst at Nikko Securities, predicted the index will plunge by 200 points Friday and drop to 4800 in two weeks. "I see a lot of long-term stockholders dumping their shares as the tax is bound to cut into investors' long-term investment interest," he said.

The idea of a capital-gains tax is widely unpopular in a country where investing in stocks is a popular pastime. In 1988, street protests erupted and the stock market slumped 36 per cent in 19 consecutive sessions after the government announced a plan to impose a capital-gains tax. The government scrapped the plan a year later.

Little Leeway

This time, the capital-gains tax comes without some clauses that had been expected to lessen the blow. For example, legislators scrapped the Ministry of Finance's original proposal to exempt the tax for investors with total annual stock investment of NT$15 million (550,000 US dollars) or less.

Egyptian PM vows to lift obstacles to investment

CAIRO, Jan 8: New Prime Minister Kamal al-Ganzuri vowed yesterday that a top priority for his government would be to lift obstacles hampering investment in Egypt as quickly as possible, reports Reuter.

"The government promises in the shortest time possible to find a solution to all complaints about the problems facing investors," he told a press conference following the first meeting of the new cabinet.

"We stress the government will strive to attract Egyptian, Arab and foreign investments, it is not normal that in Egypt investments over the past years have been around 300 to 400 million dollars while investment in numerous other countries in the region have doubled or tripled."

He was talking 10 days ahead of renewed negotiations between Egypt and the International Monetary Fund on a programme to restructure the Egyptian economy.

"We have put in place 20 working groups to examine the challenges facing Egypt with legislative, administrative and fiscal problems hindering investment top of time agenda," he said.

Ganzuri became Prime Minister on Wednesday and the new 32-member cabinet was sworn in at the Presidential Palace on Thursday with its priority to revive the ailing economy.

A European economic expert told AFP that investment has stagnated for the past two years at around 500 million dollars and the rate of growth of the gross domestic product was around 2.3 per cent.

The new premier said his goal was to boost the economy to make it growth rate "two or three times higher than the population rate at the beginning of the 21st century."

"The private sector will provide a solution to the problem of employment and will have to absorb 70 to 75 per cent of job-seekers."

The main challenges facing Egypt are "increasing production, employment and external trade," he said.

EU anti-dumping duties to four Asian countries

BRUSSELS, Jan 8: The European Union has confirmed the imposition of final anti-dumping duties on imports of microwave from China, South Korea, Thailand and Malaysia, the official journal of the European communities said yesterday, reports AFP.

The duties are 12.1 per cent for such imports from China, 24.4 per cent for South Korea, 29 per cent for Malaysia, and 27.3 per cent for Thailand, the announcement said.

But several Korean producers benefit from lower rates: Samsung Korea (3.3 per cent), Daewoo (9.4), and LG Electronics (18.8 per cent). Thai group ACME Industry Co Ltd got a duty of 14.1 per cent, while all other Thai firms exporting microwave ovens to the EU must pay 27.3 per cent anti-dumping duty.

The EU found that microwave imports from the four Asian countries caused substantial prejudice to the EU microwave industry. It said imports of such microwave ovens are growing and being made at prices well below those of the EU industry.

Singapore manages to attract 6m visitors a year

Bob Holmes writes from Singapore

It is a tiny, crowded island with barely enough room to swing a rattan cane. Its goods are expensive and its landscape unappealing. It has destroyed much of its heritage and is so bereft of tourist attractions that it promotes those of its neighbours.

Despite all this, Singapore manages to attract more than six million visitors a year and is planning to pull in even more in future.

It has ranked as Asia's top convention city for 11 consecutive years, was the world's seventh most popular convention centre in 1991 and is the undisputed cruise capital of south-east Asia. Tourism earns the economy 10.9 billion Singaporean dollars a year.

The island state has been turning its disadvantages into an asset via a clever marketing strategy. According to the Singapore Tourism Promotion Board (STPB), by combining its own attractions with the complementary attractions of its neighbours, a stronger collective product is created.

If this is a bit like a corner shop saying "Come and visit us and you can pop into Harrods next door as well," Singapore makes no apologies.

As it has with international trade, this "shop" has maximised its location at an important crossroads of south-east Asia. It knows that many "Customers" visiting the region are likely to use its airline, arrive in its airport, stay in its hotels, travel on its transport system and probably spend more than in the "big store" next door.

As a tourist destination, eastern Asia and the Pacific region set new records in 1994 with 75 million international arrivals. In the past 10 years, the number of foreign tourists and the money they bring in has risen faster than in any other part of the world.

The World Tourism Organisation forecasts that by 2010, arrivals will reach 190 million. China currently tops the list of international arrivals for the region, followed by Hong Kong, Malaysia, Singapore, Thailand, Indonesia, Korea, Australia, Macau and Taiwan.

Singapore is now getting ready to cash in on the expected boom. Gleaming like an expensive cufflink at the end of the long arm of the Malaysian peninsula the island state of 640 square kilometres and 2.8 million inhabitants is an undisputed success story — the envy of the commercial world.

Its big neighbour, Malaysia, which can chop down a forest the size of Singapore without even noticing, can attract only a million more tourists a year. And massive Indonesia pulls in fewer.

Singaporeans, aware that tourism was the quickest and cheapest way to generate jobs, invested in the industry after independence in 1965, when unemployment was 14 per cent.

Thirty years later, with an efficient transport system, a magnificent airport serving 68 airlines and 180 world-class hotels, the tiny state can handle large numbers of visitors without putting a strain on either them or it.

It has been helped by the name, Singapore from the Sanskrit Singa Pura, which means Lion City, which evokes the magic and mysticism of the East — at least in Western minds. And much is also owed to the packaging.

Senior Minister Lee Kuan Yew acknowledges that there is increased competition these days and a need to find imaginative ways for growth. The answer, he says, is "to expand our horizons."

Singapore has joined forces with both Malaysia and Indonesia in promoting a combined tourism product, has entered into tourism cooperation agreements with Vietnam and India and has had exploratory talks with Myanmar and China.

It justly claims a genuine cosmopolitan atmosphere, a fascinating history, extensive shopping facilities and many culinary delights. It is also far leafier than many people imagine and has not only stopped knocking its old buildings down, it is preserving and refurbishing those that are left.

"We made our fair share of mistakes," admits Lee. "In our rush to rebuild, we knocked down many quaint and old buildings. Then we realised we were destroying a valuable part of our cultural heritage — that we were demolishing what tourists found attractive."

Singapore is also marketing itself as a unique, clean, green and metropolis, with little street crime. Surveys have shown that visitors from both East and West cite safety, cleanliness and efficiency as assets.

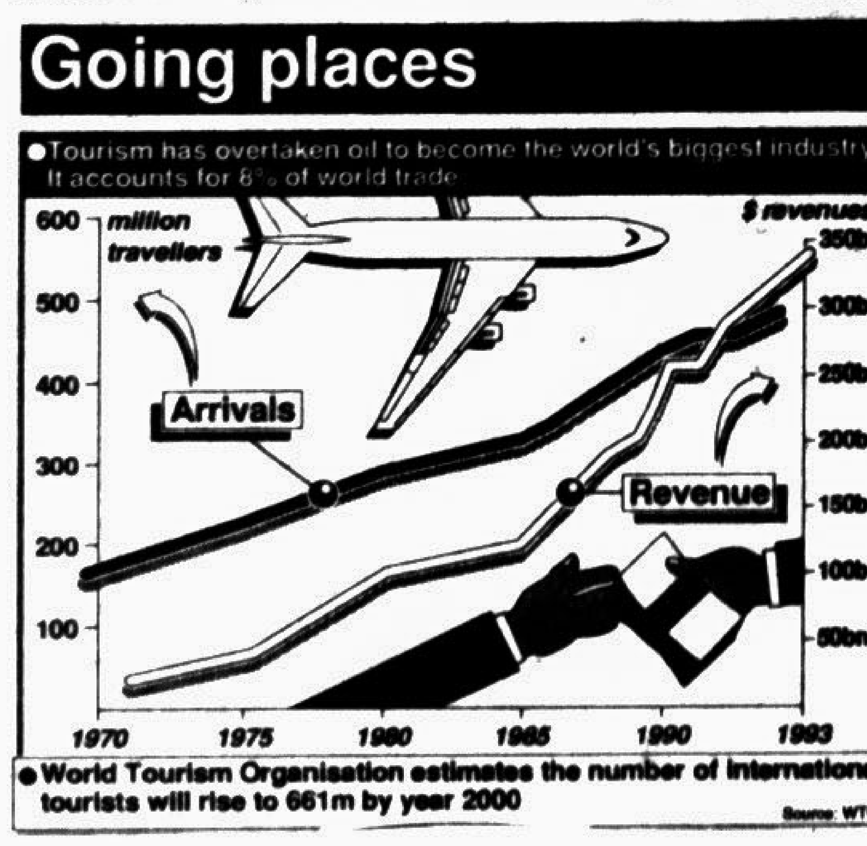
Besides the famous old watering holes such as Raffles, the Tiger Balm Gardens and the bird park, there are few home-grown tourist attractions.

STPB chief executive Tan Chin Nam says: "There is an urgent need to create new space and scope for expansion of the industry — to create a collective attractiveness — which should be a win-win arrangement for all."

Pointing to the nearby Indonesian island of Bintan as an example of joint marketing with a neighbour's destinations — it is only 45 minutes by ferry from Singapore — he says: "Our ultimate aim is to make Singapore a Total Tourism City." — *Gemini News*

(Bob Holmes is a freelance writer based in Kuala Lumpur).

Going places



World Tourism Organisation estimates the number of international tourists will rise to 661m by year 2000

Source: WTO