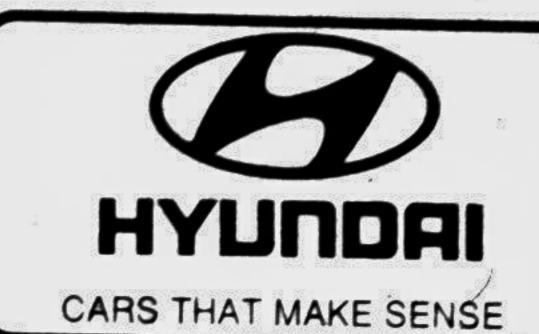


DThe Baily Star DUSINESS



Karachi violence attributed to cellular phones, pager services

ISLAMABAD, Mar 17: Desperate to staunch bloodshed in Karachi, Pakistani authorities suspended all cellular telephone and pager services there last year, saying gunmen were using them to coordinate "terrorist" attacks, reports Reuter.

The services, which had an estimated 25,000 subscribers. have not been restored, but three foreign operators, which together have invested an estimated 160 million dollars in Pakistan, say they are here to stay despite their Karachi losses.

"Pakistan has got tremendous potential. It is a big market and we are striving to make inroads in that market," said David Worcester, chief operating officer of Pakcom Ltd, a subsidiary of Luxembourg's Millicom.

He told Reuters that Pakcoin, known locally as Instaphone, had incurred a revenue loss of 1.0 million dollars a month since the government pulled the plug on mobile phones in Pakistan's economic hub in July.

More than 2,000 people were killed last year in Karachi, where security forces are locked in a deadly conflict with the ethnic Mohajir National Movement (MQM). This year's death toll is about 150 — a lull by last year's bloody standards. .

The government says it is winning the struggle against what it calls terrorism, but has not said when it will allow mobile telephone and pager services in the city to be reconnected

Karim Khoja, President of Pakistan Mobile Telecommunications (Pvt) Ltd (PMCL). said the stoppage had cost the whole mobile telephone sector about 20 million dollars in lost revenue.

Int'l competition changes Toyota's approach in Tokyo

TOKYO, Mar 17: Experience may be the best teacher, but for Japanese company workers squeezed by tougher competition and a slumping economy, it may not necessary mean better pay, reports AP.

In an attempt to deal with the tougher times, an increasing number of Japanese companies are replacing their traditional seniority system with ones emphasizing job performance, especially for their high wel managers. "It is the natural direction at big companies to set an employee's wages based on performance," said Toshio Kimura, an industrial economist at Osaka City University.

One of the companies leading the way into the more competitive workplace is Toyota Motor Corp., Japan's largest automaker, which until recently had a reputation for conservative management.

International competition has changed Toyota's approach said Koki Konishi, assistant manager of the company's International Public Relations

"We feel we need to act before it's too late," he said. Konishi said the difference between the lowest and highest salaries among the company's department heads will widen by up to 7 million yen (67,000 dollars) a year under the new system, which was implemented in January.

China's 1st high speed train to operate from April 1

BEIJING, Mar 17: China's first high-speed train is to go into service April 1, cutting the travel time between Shanghai and Nanjing in half, the official Xinhua News Agency reported Saturday, says AP.

double-decker "Pioneer" will run 140 kilometers (87 miles) per hour, making the current five hour journey in just two hours, 48 minutes, Deng Jinhua, director of the Shanghai Railway Bureau, was quoted as saying.

The non-step service 'is scheduled to leave Shanghai at 9 am daily, arriving in Nanjing, the capital of neighbouring Jiangsu province to the north, at 11:48 a.m. The return train leaves Nanjing at 5:41 p.m and arrives in Shanghai at 8:29

The train is the first to go into service in China's plans to raise passenger rail speeds on major lines from the present 60 to 80 kilometers (37 to 50 miles) per hour to 140 to 160 (87 to 99 miles) per hour.

Deng said the Shanghai-Nanjing line will add one or two more high-speed trains later this year. The new trains will have more advanced engines and coaches and be able to travel 160 kilometers (99 miles) per hour, shaving another 18 minutes off the total travel time.

WB urges Pakistan to speed up structural policy reforms

ISLAMABAD, Mar 17: A senior World Bank official yesterday indicated bright prospects for Pakistan with higher economic growth and a lower inflation rate this year and called for quick structural policy reforms and institutional development, reports

The economy had 'responded favourably' to the government's timely and effective short-run stabilisation measures, Mieko Nishimizu, Country Director of the World Bank for South Asia told a news conference here.

Noting the improvement. she said the country's economy

SACRAMENTO, California,

Mar 17: General Motors Corp's

finance arm charged 116,000

California car buyers too much

for insurance and must repay

them a total of more than 4.3

million dollars, a judge said,

Sacramento County Supe-

rior Court Judge James L Long

found General Motors Accep-

tance Co violated fair-business

laws in the way it bought car

insurance for customers whose

In a 59-page opinion re-

leased Monday, Long said

GMAC unfairly bought coverage

for longer than most cus-

tomers needed, then refunded

less than it had promised

when they obtained new insur-

a multi-year insurance policy

and adding the entire insur-

ance premium amount to the

outstanding automobile loan is

harmful and is substantially in-

jurious to consumers because

of the unnecessary increase in

rect its records and credit its'

customer accounts for the

will ask the judge to recon-

sider his ruling before it be-

comes final March 17. Failing

He ordered GMAC to cor-

GMAC attorneys said they

finance charges," Long said.

overcharges.

"The practice of purchasing

own policies had lapsed.

reports AP.

was slated for a higher growth rate and a slowing down of inflation." There are not many developing countries which have shown such a quick responses to the economic measures," she said.

Nishimizu refused to give any figures. The country's current inflation rate is officially more than 11 per cent while the growth rate last year stood at about 4.5 per cent.

However, she said for Pakistan to realise its full growth and employment potential," it is necessary that structural policy reforms and institutional developments are broadend and deepened as quickly as possible."

Winding up her three-week

that, they plan to appeal.

Violation of fair business laws

GM finance company must repay

\$4.3 m, orders judge

"One of the disappointing

parts of this decision is it's go-

SAARC Secy

General's

visit postponed

Secretary-General of the seven

nation South Asian Association

for Regional Cooperation

(SAARC) Naeem U Hasan has

postponed his visit to Bangl-

adesh due to prevailing poli-

tical situation in the country,

an official of the SAARC

Secretariat here told the South

Asian News Agency today, says

He was scheduled to visit

The official said the visit,

The official told SANA that

the first Naeem U Hasan will,

however, take place in the first

during his familiarisation visit

to Dhaka in April, the SAARC

Secretary General will hold

high level talks with officials

with regard to the most

favoure nation status for ex-

portable goods from

Bangladesh under the South

Asian Preferential Trade Ar-

rangement effective from De-

cember last year.

a SANA Press release. .

Dhaka from March 18.

week of April.

KATHMANDU, Mar 17: The

tour which took her to rural areas to understand the delivery of social services to disadvantaged people, she said " was struck by the increasing diversity of agriculture produce in Pakistan."

The World Bank has so far contributed 250 million dollars for Pakistan's social action programme, she said adding that it would continue to support this development programme.

She observed that the government was committed to a host of reforms in agriculture and other sectors of the economy which would help Pakistan realise its full economic potential.

ing to take a good deal of time

and money ... to correct cus-

tomer accounts for people who

have not repaid GMAC for

months of insurance and aren't

going to repay in the future,

said John B Sullivan, a San

Francisco attorney represent-

Sullivan said the people

represented by the class action

lawsuit account for less than 5

per cent of GMAC contracts in

California, yet owe the com-

pany more than 100 million

Ronald Lovitt and J Thomas

Hannan filed the suit on behalf

of 116,000 customers whose

cars loans were financed by

GMAC from February 1989

to maintain insurance as re-

quired by their sales contract,

GMAC bought "collateral pro-

tection insurance" from its

wholly owned subsidiary. Mo-

tors Insurance Corp. The

premiums were added to the

coverage for the life of the ear

loans when 78 per cent of the

customers no longer needed it

after a year. Lovitt said premi-

ums added up to 6,000 dollars

GMAC frequently bought

When the car buyers failed

through August 1994.

customers' car loans.

to their bills.

San Francisco attorneys

ing GMAC.

dollars.

Clinton facing conflict pressure to take tough line

WISHINGTON, Mar 17: US President Bill Clinton is facing conflicting pressures to take a tough line with Beijing on a range of issues without harming American business interests in China, reports AFP.

As Washington considers sanctioning Beijing for violating trade and non-proliferation agreements, tensions in both capitals are running high as China continues war games aimed at influencing Taiwan's March 23 presidential elec-

Complicating every choice is that "none of these decisions about China can be compartmentalized," Xqid Gregg Mastel, a China expert and economist at the Economic Strategy Institute. "Everything you do on trade, or Taiwan, and non-proliferation affects everything else."

China has already emerged as a campaign issue ahead of the US presidential election in November, and legislators are threatening to revoke China's US trade privileges in response to its human rights

"What we're confronting is whether - in the course of this political year in China, Taiwan, and the United States - our relations will result in confrontation," said Kenneth Lieberthal, a China scholar who has informally advised the Clinton administration.

Against that backdrop and undoubtedly aware that the consequences of a new cold war with Beijing would be severe, Clinton must soon decide whether to extend a 30-day freeze export-import bank financing for China projects.

That freeze, imposed last month as officials consider whether to sanction China for selling nuclear technology to Pakistan, is due to lapse around March 25, Ex-Im Bank spokesman Harry Philipps said

The state department has not yet indicated whether the ban will be lifted, extended temporarily, or prolonged indefinitely as a penalty for spreading weapons technology. he told AFP.

A 1994 law bars low-cost loans and loan guarantees from Ex-Im Bank to countries that help nations such as .lran or Pakistan to develop nuclear



Food and Agriculture Minister Abdul Mannan Bhuiyan presiding over a meeting of food planning and monitoring committee held at Food Ministry's conference room on Saturday. - PID photo

US urges Japan to open insurance market

KYOTO, Japan, Mar 17: US Treasury Secretary Robert Rubin urged Japan on Saturday to fully implement an agreement to open its insurance market to foreign competition, an offi-

cial said, reports AP. Rubin also told Japanese Finance Minister Wataru Kubo that Washington is hoping for quick action in liquidating a group of Japanese housing lenders that are saddled with billions in bad debts.

A senior Treasury official. briefing reporters after a private meeting between Rubin and Kubo, said Washington was troubled lack of progress in opening Japan's insurance market.

The two officials met ahead of the formal start of ministerial talks of the 18-nation Asia Pacific Economic Cooperation forum in Kyoto, Japan.

The US Trade Representative has been seeking assurances from Japan's Finance Ministry that it won't open to competition a segment of the market reserved for foreigners until access is granted to markets now controlled by Japanese insurers.

The opening of the insurance market was agreed to in principle a year ago.

Rubin also brought up the Japanese housing lenders. known as "jusen." which were left with tons of bad debt after the roaring real estate market of the 1980s crashed in the early 1990s. The government has pro-

posed a bail out plan to use 685 billion yen (6.5 billion dollars) in taxpayer money to liquidate the jusen. But the plan is so unpopular a group of opposition lawmakers have vowed to block action on the national budget until the plan is scrapped. The fiscal year begins April 1.

The senior Treasury official said Rubin reiterated Washington's hopes that a resolution to the jusen problem would come "as early as possible.

Announced after the meeting was an agreement between the United States and Japan on increasing Tokyo's share in the World Bank amid dwindling US contributions to the institution's softloan arm.

The Treasury official was unable to say exactly what Japan's fresh stake will be. But he said "initial action" has been taken by the World Bank's board to hike Japan's share, which ranks second behind Washington's 17 per cent holding.

Rubin and Kubo also agreed to continue cooperating closely with other Group of Seven industrialised nations in global foreign exchange markets, Japanese finance ministry offi-

In April 1995, the G-7 finance ministers and central bankers issued a formal communique calling for an "orderly reversal" of the dollar's declines to postwar record lows against the yen and Deutsche mark.

Since the G-7 initiative, the dollar has rebounded strongly. although Japanese authorities have signaled some unease in recent weeks about potential for fresh declines.

Indian, multinational firms trying to impregnate untapped rural markets

NEW DELHI, Mar 17: Encouraged by rising demand for consumer goods, Indian and multinational firms are turning their attention to the world's largest untapped market — the hundreds of millions of rural Indians, reports AFP.

"Rural markets are large and they are growing fast," said

tative Research Unit, a leading research firm, said rural markets, were growing at the scorching pace of about 30 per cent a year and multinational firms were beginning to "release this potential."

Baga said foreign manufactures of personal care products and consumer durables were expanding and adding resources to strengthen their village distribution networks. villages and about 70 per cent

end of this year.

S L Rao, a former Director of the prestigious National Council of Applied Economic Research (NCAER). Kamini Baga of Probe Quali-

India has some 650,000 of the country's population of more than 930 million live in the countryside.

A spokesman for leading personal care products firm Hindustan Lever Ltd (HLL) said its "Operation harvest" aimed at the rural consumer would reach 100,000 villages by the

"Urban markets are becoming saturated," said Irfan Khan, Communications Manager of HLL, a subsidiary of Britain's giant Unilver Group.

"Rural people have larger disposable incomes than urbanites since the government subsidises agriculture and their is no income tax on the rural sector," Khan said.

He said about 50 per cent of the firm's products were sold in rural markets and "the arrival of satellite television has aided our marketing efforts." "For the last 15 years we

have been successfully penetrating the rural market due to

the strong demand that exists.

tribution network using modern communication facilities," Khan said. Baga said satellite televi-

sion, which arrived in India four years ago and now reaches about 85 per cent of the population, had created a demand for "new products."

"Foreign firms do not have to create any demand," she said.

An official of Hero Motors Ltd., a joint venture with Honda Motor Co. of Japan, said demand for motorcycles was higher in villages than In

"Our product demand in rural areas is twice that of urban areas. We plan to launch a new motorbike specially meant for rural tastes," said Vijay Supta, General Marketing Manager of Hero Motors.

A market consultant with India's largest private firm, Reliance Industries, said multinational firms were coning and packaging and "simple

communication methods." "They (private firms) will have to talk a language that rural people understand and five them a feeling that there is strong after sales service and value for the product," said Re-

liance's Arvind Singhal. Economist Rao said a study by the NCAER found that rural purchasers accounted for nearly 80 per cent of bicycles bought annually.

"About 50 per cent of goods such as mopeds, pressure cookers and electric irons were sold in rural areas a year ago and rural markets accounted for 60 per cent of the sales of black-and-white television sets," Rao said.

"There is huge untapped potential in rural areas and with the free-market reforms more firms are fine-tuning their marketing skills to grab a slice of the market," said Manoj Narayan of Marketing

Terraces change lives of Beijing's poorest

HOUJIAGOU VALLEY, China, Mar 17: No one can fault the farmers of the remote yellow mountains of northern China for failing to think big. according to AP.

For generations, it was all they could do just to coax crops of millet and buckwheat on the steep, barren hills ribbed with gullies - the same 'yellow earth" country where the Communists set up a base and grew to power in the 1930s and '40s.

Then two years ago, the World Bank and the Chinese government offered a 250 million dollars loan to create ter- . raced fields.

Farmers swimming pickaxes and shovels levelled the slopes and carefully built retaining walls of straw and earth that look as smooth as cement. Bulldozers notched the most

difficult slopes. Now the fields are flat, and water, soil and fertiliser no longer run off in the rain. With bigger crops, thousands of families in this part of Shaanxi province have escaped the severe poverty that bound them for generations.

The government is promoting this kind of change in remote inland areas, where most of China's poorest people live. People here have missed most in the booming coastal areas. At least 70 million China's 1.2 billion people are so poor they do not have enough food and clothing. In the past year, the country's leaders and its state-run press have set a new goal: ending severe poverty by 2000.

An important part of the strategy has been the World Bank's low-interest loan programme. The funds are meant to bring development to the world's poorest people. China has been one of the biggest borrowers, receiving more than 1.5 billion dollars since 1986.

World Bank officials say the funds generally have been well used. In Gansu, in northwestern China west of Shaanxi, the loans have provided irrigation on arid plains. In the southwest, the money has brought health care, roads and training in more efficient farm meth-

In Shaanxi and neighbouring provinces, the answer is terraces.

The plateau of loess - a fine-grained, yellow-brown loam — covers an area the size of France and is one of China's poorest places. In the early years of this

century, the struggle for survival was so fierce in Shaanxi banditry in desperation. Rival warford armies clashed and plundered. Millions of people died of starvation.

Mao Tse-tung and the Communist Party arrived in Shaanxi in 1935, set up headquarters in Yan'an and fought two enemies - the invading Japanese and the Chinese Nationalists. Meantime, the Communists won over Shaanxi farmers by distributing the property of landlords to the

People living in some of these hills today recall subsisting on sweet potatoes and grain husks as recently as the late 1970s, when China embarked on its economic changes. But the reforms did not completely put an end to the fight for food.

In places like the Houjiagou Valley, in northern Shaanxi, local officials give the terraces credit for that.

After the harvest, when the pale, yellow earth of the fields and walls blends with no break of vegetation, the 150-metretall (500-foot-tall) hills look more like ancient monuments than farms.

From the bumpy dirt road that winds up the valley, the hills seem empty. Houses are hard to spot in the strong sun because they are caves fronted with stones cut from the same

yellow rock. "It's going to be a tremendous difference. It already is," said Zhao Dongping, a 32-yearold farm woman interviewed in her new home - two tunnels set side by side. A 1958 portrait of Mao surrounded by beaming farmers and chesthigh stalks of millet is framed

on one wall. Before the terraces, the typical farmer in the valley earned about 300 yuan (36 dollars) a year, well below the poverty level of 440 yuan (about 50 dollars) said Gao Shuhua, a World Bank official. The higher crop yields have increased income to about 600 yuan (72 dollars), and the goal

of 1,000 yuan (120 dollars) is well within reach, he said. Electricity, affordable for the first time, is being installed. More of the region's traditional cave houses are be-

ing built, each fronted by a semicircle of latticed windows. A sign in big, red characters proclaims from one of the terraced hills: "Grass hats on the mountains, a belt of trees around the middle and fields

It refers to how the fields are used. On the highest fields, grass is grown for fodder. A band of trees below that provides wood for heating and helps prevent erosion. Food is

The World Bank says its loan was crucial to the terracing project, which will directly help 280,000 households.

centrating on entry-level pric-We are strengthening our disand Research Group. of the benefits of rapid growth that many people turned to Call money rates, exchange rates, finance capital

by Arun Ghosh

Recent developments in the financial sector in India have been mystifying to most observers. 'Call mohey' rates had, at one point to time, zoomed to 150 per cent, and there had to be massive intervention by the Reserve Bank of India, after which call money rates (in Bombay) have come down to 10-12 per cent as of 21 November, 1995.

At the same time, the exchange rate of the rupee came down, over a matter of eight weeks, from Rs 31.7 per US dollar to Rs 35.35 per US dollar, a steep decline of some 143 per cent. Again, the Reserve Bank has had to intervene to prevent a further decline, and the rate has now stabilised at between Rs 34.7 and Rs 34.9 per US dollar (on 21 November).

These developments are at complete variance with the finance minister's repeated assurance that "the fundamentals of the economy are sound." True, both agricultural and industrial production are increasing at a reasonably satisfactory rate.

But, the absurdly high 'call money rate - which had briefly touched 150 per cent needs an explanation because. with increasing deficit financing by the Centre, the market ought, in a sense, to be flush with funds: and 'call money'

rates, which one would expect to be quite low, can (in such circumstances) be only marginally higher than the rate of interest on government bor: rowing. The latest rate of which government has recently borrowed from the market, is 14 per cent, while the buying rate for a months Treasury Bills is 13 per cent. In this background, and with the steady reduction in both the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR), the call money rate could, under temporary conditions of liquidity crunch, rise to, say, between 14 and 16 per cent.

What is " call money"? These are funds very temporarily borrowed by financial institutions primarily some times, though rarely, by trade, (for, let us say, getting merchandise release from the customs, for which customs duty has to be paid) - merely in order to tide over very temporary need for funds. Banks have to maintain a CRR and a SLR prescribed by the Reserve Bank of India; and on occasion, a bank may be over - extended and may have to borrow merely , to meet the CRR/SLR requirements prescribed by the RBI. 'Call Money' is money borrowed for 24 hours. Sometimes the borrowings are rolled over, but normally, a

receipts and payments. Some amount of interbank borrowing/lending has always been customary; and in addition to banks, there are other financiers/institutions which are prepared to provide 'call money (required by any bank, or some times a trader in emergency need of funds). Typically, a call money rate of, say, 5 per cent would imply that a borrower requiring Rs 1 lakh for a 24-hour period would have to pay an interest of a little less than Rs 14 for the call money of (Rs 1 lakh) borrowed for 24 hours. (Similarly, 'call money' of Rs. 1 lakh, borrowed at 150 per cent for 24 hours, would require and interest payment of Rs 411). An bank is sometimes a borrower sometimes a lender in the call money market. And, since call money requirement is a somewhat desperate need for cash for a very limited period, the rate of interest herein is entirely determined by 'demand and supply': a bank facing a very temporary liquidity crunch will shell out any price for such funds.

So, what is the reason be-

hind the phenomenal increase

in call money rates in the past

fortnight? First, the busy sea-

son credit policy of the RBI

prudent banker does not have this year has been overwhelma long term imbalance between ingly influenced by its desire to make up for the fiscal irresponsibility of the central. Government, with the result that adequate provision has not been made to meet the credit needs of a rapidly growing industrial sector. Consider the are overextended. inflow of external funds PLUS the remittances of Indian

following figures taken from the latest available Statistical Supplement to the RBI Bulletin (dt II Nov 1995). Time deposits of all scheduled banks - that is, savings mopped up by banks from households have increased from Rs 331048 crore on Aug 25, 1995 to Rs. 341530 on Oct 27,1995, an increase of Rs. 10482 crore. Over the same period, at the commencement of the 'busy season', loans and advances of scheduled banks increased from Rs 203622 crore to Rs. 216116 crore, an increase of Rs. 12484 crore. Banks, lending for productive purposes. In the past two or three years, the inflow of private short term) external capital met this need. In fact, it is the

workers in the Gulf area

(primarily) which has led to

the substantial increase ob-

served in the foreign exchange

assets held by the RBI over the

past few years. In fact, the in-

ward remittances from Indian

3.8 billion US dollars in 1993-94 and exceeded 5 billion US dollar in 1994-95. Over the past four years, these remittances have totalled around 15 billion US dollars. The inflow of external funds earlier provided ready cash to banks. There could also

workers abroad amounted to

be a slow down in remittances from the Gulf area in recent months. The exchange rate of the rupee slided from Rs 31.7 per US dollar on Sept 1 to Rs 35.45 on Oct 27 (in eight weeks) — a decline of 12 per cent; and remitters may be either holding back remittances (in the hope of getting more rupees per dollar) or sending in funds through the "havala" market. The banks would be steadily stripped of ready cash in the process. It is true that if the Fils want to take back their money.

they would lose on the exchange rate. But they may want to cut their losses and depart. That would signal a flight of capital which could entail a total loss of confidence in the Indian rupee and the Indian economy. The Reserve Bank cannot countenance this, hence the recent RBI intervention in the exchange market. In the past fortnight, the RBI has poured a billion dollars to steady the exchange rate. and to prevent it from sliding

The banks use government loans as part of their portfolio of profitable assets today, and these are not readily traded because they are profitable investments. That, briefly, is the rationale for the dizzy heights that call money had reached

recently.

Both reasons point to a major flaw in policy. The reliance on external capital makes india vulnerable to unwarranted fluctuations, not due to internal reasons but due to vagaries in the flow of external finance capital. Secondly, the raising of the government's borrowing rate to commercial rates is one of the reasons for increasing India's debt service payments - which, as per the central budget for 1995-96 — has reached 51.5 per cent of central government revenues. However, that is a different story, connected with, the bankruptcy of the polices of the central government in recent years. But, recent developments in the financial markets indicate that the government is increasingly losing control over the economy which now depends significantly on the view of India taken by international finance capital. - Mandira

(The writer is a former Member of Indian Planning Commission.)

of food surrounding the vil-

grown on lower fields.