Int'l educational product trade fair in S China

NANNING, Sept 17: Nanning, capital of South China's Guangxi Zhauang autonomous region, will host its second international educational products trade fair for students between October 9-12, reports Xinhua.

Over 500 enterprises from both at home and abroad have registered to attend the fair.

Last year's fair recorded a total transaction volume of 500 million yuan.

The fairs represent part of the city's efforts to transform itself into a production centre for related products. Nanning has also invested over 300 million yuan to build a products exhibition centre covering 40 hectares.

ASA-Agrani Bank partnership deal signed

Star Business Report

Agrani Bank has signed a partnership agreement with the Association for Social Advancement (ASA).

The agreement was signed by M A Sattar, Manager, Agrani Bank's Shyamoli branch and Md Shafiqual Haque Choudhury, Managing Director of ASA, on behalf of their respective sides in the city on Wednesday, says a press release.

Under the accord, Agrani Bank will provide Tk 2.50 crore to ASA at the rate of nine per cent interest under its employment-generation project to implement the micro-enterprise development programme.

Meanwhile, the bank has already transferred Taka one crore to ASA as its first installment.

ASA will distribute this money among the small entrepreneurs under its employment-generation project in nine districts such as Gazipur, Dhaka, Pabna, Bogra, Khulna, Jessore, Chittagong, Manikgonj, and Tangail.

The main objectives of this project are to create small entrepreneurs in production sector, income-generating self-employment in the rural areas, and develop small entrepreneurs management capacity.

It is assumed that a total of 70,000 skilled manpower and self-employment will be created through 9,500 small entrepreneurs under this project.

Beijing bid to encourage foreign ventures

BEIJING, Sept 17: The Beijing municipal government recently adopted 10 measures to encourage foreign ventures to participate in the reform of the city's state-owned enterprises, reports Xinhua.

The new regulations, announced by the Beijing municipal administration for industry and commerce, stipulate that foreign ventures will be permitted to purchase or merge with state-owned enterprises on a limited basis.

The regulations also allow foreign-funded ventures to jointly establish ventures in the service sector.

Beijing welcomes Sino-foreign funded ventures to use technology transfers to obtain shares in state-owned ventures. Technology transfers can account for as much as 35 per cent of total registered funds in specified ventures, up substantially from the former 20 per cent ceiling.

The regulations grant the world's top 500 ventures priority in terms of participation in state-owned enterprises reform.

'G7 nations should boost domestic demand'

TOKYO, Sept 17: The industrialised nations of the world including Japan — need to boost domestic demand to support economies suffering from financial crisis, Britain's finance minister said Wednesday, reports AP.

"All industrialised countries — in Europe and Japan as well as North America — must bear their fair share of the adjustment," British Chancellor of the Exchequer Gordon Brown said.

"No one country can either escape its responsibility to play its part in sustaining global demand or be required to bear the whole burden," he added.

Brown said central bankers from the Group of Seven industrialised nations are now focused on the need to support domestic demand to stabilise the global economy.

The key issue for Japan remains restoring stability to the financial system, he said.

"Here in Japan, the restoration of financial stability is a top priority in order to ensure that efforts to stimulate the economy can be effective. I hope financial reform legislation can be passed quickly," he said.

Brown also stressed the need for further efforts to promote transparency both in the release of economic data and in policy-making porches.

The British finance minister singled out the commitment shared by the international community to helping Russia as long as Moscow displays a "genuine commitment to both stabilisation and structural reform."

Asian crisis won't hurt economy: RBI chief

'India set to attain one of highest economic growth rates'

NEW DELHI, Sept 17: India is poised to attain one of the "highest economic growth rates" in the world and its economy will not be hurt by the Asian meltdown, the central bank governor said here, reports AFP.

"We expect growth this year to be one of the highest in the world. Our foreign exchange reserves are high and we have orderly conditions in the currency markets," Reserve Bank of India Governor Bimal Jalan said.

"So the current Asian crisis will not hurt the prosperity of our nation," he told a banking conference here.

India is in the grip of an economic slowdown, and gross domestic product growth was down two percentage points in the last fiscal year to March 1998 from a targetted seven per cent.

Jalan said the "unsettled world conditions" laid greater focus on the fragility of banking systems around the world and called for global norms to prevent future financial crises.

He said the Asian crisis had deepened and started affecting South American countries "after hitting Russia."

"There is a lack of international standards... at the moment it is not sufficient to handle a crisis of this sort. The crisis has deepened and is more pervasive and persistent than six months ago.

"The management of global economy requires new instrument sand new mechanisms."

The central bank chief said there was a "movement back to the basics" in international banking.

"Now observers and analysts are debating the exposure of banks to short-term loans, real estate and stock markets. There is a thought that banks will now retreat to normal banking activities and leave such exposures to specialised institutions."

Despite a difficult start to the current fiscal year beginning April 1, Finance Minister Yashwant Sinha pledged that inflation and the deficit would be kept within the targets laid out in his June budget.

"I will not allow the deficit to cross 5.6 per cent (of gross domestic product)," he told an economic conference.

Reviewing the six months since the Hindu nationalist-led coalition came to power, Sinha said the government was only just beginning to disprove the country's negative financial image at home and abroad.

The minister admitted that India's nuclear tests in May, followed by US-led sanctions and the cancellation of some overseas development aid, had a "hugely negative impact" on national and international sentiment.

The situation was worsened by a sovereign rating downgrade by US credit assessor Moody's investors service, the deepening Asian financial crisis and problems in Russia.

"Everything seemed to go absolutely out of hand... the feel-good factor just wasn't there," Sinha said.

In the past month, however, Sinha insisted that India had emerged from the gloom.

"Internationally now, India is being seen as a stable pole in the economic field, as opposed to turbulence elsewhere."

His remarks were backed up by central bank governor Bimal Jalan, who said India was poised to attain one of the "highest economic growth rates" in the world this year.

India's economy grew 5.1 per cent in the fiscal year to last March, down from 7.5 per cent the previous year, and poor first quarter results have sparked fears that growth would slow even further this year.

A more downbeat address to the conference was given by Commerce Minister Ramakrishna Hegde, who admitted the Asian financial crisis had foiled India's target of 20 per cent export growth in the current fiscal year.

"External trade which is so crucial for the growth of the economy is facing unprecedented challenges due to developments in the international environment in the wake of Southeast Asian currency crisis," Hegde said.

"Given the situation, it appears improbable that we will achieve the targeted export growth rate in the current year," he said.

Exports in the first quarter of the current fiscal year totalled only 10.6 billion dollars, down 3.8 per cent from the same period last year.

While exports picked up somewhat in July, Hedge said overall performance was still "far below our expectations."

With the situation in Southeast Asia showing little sign of improvement, and additional crisis in Japan and Russia, "the prospects of achieving an immediate breakthrough in exports appear more and more difficult," he added.

US prepared to suffer huge trade deficit with Asia

TOKYO, Sept 17: The United States is prepared to suffer massive trade deficits with hard-hit Asian nations to help the ailing region cope with its yearlong financial turmoil, US Undersecretary of State Stuart Eizenstat said Wednesday, reports AP.

"We're prepared to bear that responsibility. It is a severe responsibility. We're prepared to bear it because we think that's one of the contributions we can make," he told reporters while visiting Tokyo with US Trade Representative Charlene Barshefsky.

The economic meltdown in Asia has plunged companies in the region into bankruptcy and pushed millions into poverty. Many industries desperate for markets to sell their exports to are looking to the United States for sales and hard currency.

While Eizenstat said the United States would do its best to absorb products from struggling Asian nations, Washington is also looking to Japan — which has a ballooning trade surplus — to do some of the buying as well.

"Japan is in a very different situation than the Asian economies who are flat on their back and who desperately need to export in order to grow," Eizenstat told reporters.

Barshefsky began talks with Japanese trade officials Wednesday to pressure Tokyo to import more and rein in its burgeoning trade gap with the United States, both sides said.

The purpose of the US officials' visit is to discuss such trade issues ahead of a meeting between US President Bill Clinton and Japanese Prime Minister Keizo Obuchi set for next Tuesday in New York.

Eizenstat acknowledged that the US trade deficit with Japan was expected to soar to nearly 70 billion dollars this year. But he pointed to that as an example of what the United States was doing to take on its global responsibility.

He called on Japan, in turn, to do more to get its own economy back on track and help neighbouring economies.

"We don't think it's too much to ask others to bear their share of responsibility as well," Eizenstat said. "Our two countries the world's largest economies — have a special responsibility to show leadership at this time of global financial turmoil."

Stressing that the two nations were speaking as "friends," Eizenstat urged Japan to act quickly to fix the bad debt problem, in the banking sector by using public funds to prop up weak but viable banks, improving financial disclosure and closing bankrupt banks.

Barshefsky, who arrived late Tuesday, is expected to leave Friday.

Tokyo, Singapore, HK stocks down on Greenspan comments

HONG KONG: Share prices in Tokyo, Hong Kong and Singapore were sharply lower early Thursday as US Federal Reserve Chairman Alan Greenspan dashed hopes of a much-awaited US interest rate cut, reports AP.

Other Asian markets gained, with the Philippines' key PSE index rocketing 7.9 per cent — the sharpest gain in three months — lifted by a 25-per cent rally in shares of the Philippines Long Distance Telephone amid rumors of possible merger or takeover.

On Wednesday, Greenspan said in closely-watched testimony in Congress that "at the moment there is no endeavor to coordinate interest rate cuts" among Group of Seven industrialized countries.

Following the news, Hong Kong's key Hang Seng Index, which had gained 3.7 per cent in the past three sessions, fell sharply. In Singapore, the Straits Times Index was also lower, after Wednesday's 5 per cent rally.

By midday Hong Kong recovered somewhat, shedding 2.3 per cent while Singapore lost 1.3 per cent.

In Tokyo, share prices, especially those of major Japanese trading houses and other companies doing business with Russia, were also knocked lower on worries over the chaotic Russian economy.

The benchmark 225-issue Nikkei Stock Average extended Wednesday's 0.21 per cent drop, closing the morning session 156.19 points lower, or 1.09 per cent, at 14,041.51.

On the foreign exchange market, the dollar bought 134.14 yen in midday trading, down 0.78 yen from late Wednesday in Tokyo and also below its late New York rate of 134.90 yen overnight.

Despite Greenspan's remarks, most market players remain upbeat about a US rate cut, saying he still hasn't ruled one out this year.

"It's increasing likely that we're going to get a rates cut this year," as a way to buffet the still robust US economy from the fallouts in Asia and other emerging markets, said Abhilit Chakrabortti, regional strategist at HSBC Securities Asia in Hong Kong.

A substantial US interest rate cut, besides making the dollar less attractive, would "turn on the liquidity tap" in Asia, thus giving regional markets a much-needed boost, he said.

Chakrabortti, said the region's outlook remains worrying unless Japan speeds up efforts to reform its debt-ridden banking system.

Japanese Prime Minister Keizo Obuchi's ruling party and opposition forces are nearing an agreement on key components of bank reform bills, including a plan to rescue the Long-Term Credit Bank of Japan, media reports said.

ASA-Agrani Bank partnership agreement signing ceremony in the city Wednesday.

China's crackdown on smuggling boosts prices of commodities

SHANGHAI, Sept 17: A nationwide crackdown on smuggling is driving prices of many commodities higher, reversing a yearlong downward trend, the newspaper China Securities Times reported Thursday, says AP.

Widespread smuggling had undercut prices for more expensive Chinese-made products and legal imports. A massive blocking of channels for illegal imports in southern China has thus pushed prices higher, the report said.

The price of gasoline is about 17 higher than two months ago, at more then 2,000 yuan (242 dollars) a ton. The price of polyester has risen 21 per cent to 7,000 yuan (847 dollars) a ton and polyester fiber price are up 17 per cent to 8,200 yuan (993 dollars) a ton, the China Securities Times said.

Prices for computers, electrical appliances, photographic film, urea, phosphates, and other fertilizers have also risen, the paper said.

The government imposes high taxes and quotas on imports to protect China's domestic producers from intense competition from overseas companies. The policy inflates the prices of many manufactured goods and also creates an incentive for smuggling.

Before the new attempt to restrict illegal imports, many Chinese companies were selling products well below their manufacturing costs.

The new import restrictions are helping many of these companies stay in business.

Russia to print roubles to tackle increased inflation

MOSCOW, Sept 17: The senior non-communist finance official in Russia's new government warned yesterday that Russia would print inflationary roubles if it did not get foreign aid in October, reports Reuters.

Deputy Prime Minister for Finance Alexander Shokhin said the government would try to avoid inflationary policy and offered to work with the West, but he forecast increased inflation and said more was in store if no foreign help was forthcoming.

Shokhin, show as due to meet International Monetary Fund officials later yesterday, said he preferred to meet wage and pension arrears by printing roubles backed by IMF aid.

But the former parliamentarian, seen as cautiously reformist, said that Russia must expand the monetary base in any case to give leading banks the liquidity necessary to function.

A 22.6 billion dollars IMF-led package agreed in July is essentially on hold in the wake of rouble devaluation and financial chaos. But Shokhin said he expected to work out a programme and garner international support in early October.

"If the IMF provides us the tranche of stabilisation credit in the beginning of October, it seems to me we should solve our problems without additional emissions," he said.

"If not it will be very difficult to solve not only old paying problems — I mean wage arrears, pension arrears — but it would be difficult to solve current payments."

The government owes workers and pensioners some 36 billion roubles (3.75 billion dollars) in arrears, which it promises to pay soon. It also needs money to recapitalise tottering banks.

Western economists have almost uniformly dismissed promises by Prime Minister Yevgeny Primakov that he would find ways to pay arrears without plunging Russia into hyperinflation.

The treasury is bare. Russia has frozen its domestic debt market, missed some foreign debt payments and the new government-central bank team is full of Soviet-era economists.

Russians have voiced their own doubts by buying dollars.

Shokhin said currency board would require constitutional amendments but approved the general idea. "A very strong linkage between printing money and currency reserves is a good idea. We have to use the instruments without the institutions."

But he said the main goal of the government was to clean up the payment system. Many banks have ceased working with each other, distrusting each other's liquidity and solvency.

"In any case we have to use emission," Shokhin said. "For example by providing credits of the central bank to commercial banks. But we have to have a joint programme with the IMF."

"It is not necessary to print additional money — it is necessary to renew the government securities market, he said.

Meanwhile, an AP report adds: One month after Russia's crisis hit, the new government's economic policy remains a mystery and the rouble was again falling fast on Thursday. President Boris Yeltsin said it could take another week to install the full Cabinet.

Yeltsin, who has made few comments about the economic problems, met Thursday in the Kremlin with Defence Minister Igor Sergeyev. The president said the heads of the government's security ministries, including Sergeyev, would not change, but more time was needed to fill other posts.

The key job of Finance Minister and other Cabinet positions were still under discussion, the president said.

"We will need an extra week to fully form the Cabinet," Yeltsin told reporters before his meeting with Sergeyev.

Meanwhile, the embattled rouble continued its plunge.

The Russian currency was trading at around 15 at the Moscow currency exchange after recovering to 7.5 to the dollar earlier this week. The Russian currency stood at around 6 to the dollar before the crisis began in mid-August.

Thailand praised for keeping trade open

BANGKOK, Sept 17: US Undersecretary for Commerce David Aaron praised Thailand on Thursday for keeping its trade open and not succumbing to protectionism despite a deepening economic crisis, reports AP.

"There are temptations to protectionism, but if you take steps which discourage people from investing in you country, you're going to lose out," Araon told reporters while visiting Bangkok.

"Thailand's route in the end will be much more advantageous," he added, in an oblique reference to recent capital controls instituted by neighboring Malaysia.

Malaysia recently pegged its currency to the dollar and imposed draconian capital controls that effectively eliminated offshore trading in the ringgit.

Although expected to face an economic contraction of some eight per cent this year, Thailand has repeatedly said it will not follow Malaysia's example.

Thailand is battling its worst economic crisis in recent history. It is receiving a 17.2 billion dollars bailout from the International Monetary Fund.

Aaron, who was in Bangkok to lead a US trade mission, said US exports to Asia were down 30 per cent in the first half of this year and "we are extremely concerned about it."

He added that Thailand was a key US trading partner and reaffirmed the country's importance as an export market.

"It is very important that ASEAN countries keep their borders open to each other," Aaron said.

'Global crisis is a temporary setback'

Britain warns against turning to isolation

TOKYO, Sept 17: British Chancellor of the Exchequer Gordon Brown warned here yesterday against turning to isolation in times of economic crisis, reports AFP.

Brown, in charge of economic policy for Britain, which is chairing the Group of Seven (G7), said the global trend of growth and open trade had stalled and in some places even reversed.

"But I believe that is a temporary setback, not a permanent condition," he told the Federation of Bankers Association in Tokyo.

"I believe that the essential answer to the problems of the moment is not less globalisation, not new national structures to separate and isolate economies," he said.

Instead, the world required "stronger international structures to make globalisation work in harder times as well as easy ones."

He did not directly name Malaysia, where authorities announced earlier this month sweeping exchange controls and related measures including a fixed exchange rate and plans to abandon external convertibility of the ringgit currency.

Brown said the urgent need now was "closer cooperation, continuing dialogue and an unwavering commitment to open commerce, we must not let temporary instability put global progress at risk."

As economic storms in one region threatened to spread, "there are easy but dangerous shelters, a return to protectionism, the breakdown of cooperations the rise of beggar thy neighbour policies," Brown said.

But this can only yield further deterioration, not further growth," he warned.

"Protectionism anywhere is a threat to prosperity everywhere, closing off national economies only increases national and international instability," Brown said, adding that the poorest were worst hit in such crises.

All G7 Finance ministers had agreed in recent weeks that the world required closer international cooperation to achieve stability and sustained growth, open trade and strengthened financial systems, he said.

Brown said financial instability had spread from Asia to eastern Europe and Latin America.

The G7, International Monetary Fund and World Bank "stand ready to support countries in all emerging markets which are prepared to embark on a cause of strong and sound policy action," he added.

Economic progress in Russia "can only be secured if there is political stability and genuine commitment to both stabilisation and structural reform."

Brown urged Japan to help by moving forward in its legislative programme to deal with the huge bad-loan problems of Japan's banking sector now stalled due to disputes between the ruling and opposition parties.

Japan's NEC to install microwave system in China

BEIJING, Sept 17: Japan's NEC Corp said Thursday it has received an order through trading house Marubeni Corp. to install a microwave system worth 2.5 billion yen (18.64 million dollars) in northern China's Hebei province, reports AP.

The project is to install a 1,400 kilometre (875 mile) synchronous digital hierarchy, or SDH, microwave transmission system linking the main towns and cities of Hebei, NEC said in a statement.

It would be the first such large-scale trunk system to be used in China, the electronics giant said.

Under China's ninth five-year plan, started in 1996, the government plans to upgrade provincial telecommunication networks to SDH microwave lines. NEC has received orders to install a total of 5,000 kilometres (3,125 miles) of SDH microwave networks in China, the company said.

Honda recalls 968,000 Accord cars

DETROIT, Sept 17: American Honda Motor Co. is recalling about 968,000 model year 1995-97 Accord cars to check for a wiring problem that potentially could cause an under-hood fire, reports AP.

The air conditioner wiring harness may have been improperly installed, allowing some wires to rub against each other and eventually wear through their insulation, causing a short circuit, Honda said in a statement Wednesday.

In most cases, the short circuit would blow a fuse or cause the battery or air conditioner to fail. But in some cases, the wiring could over heat and cause a fire, the statement said.

There have been no accidents or injuries reported as a result of the problem, it said.

The recall involves four-cylinder Accord sedans, coupes and station wagons in LX, EX and SE versions. Accord V6 and DX models are not affected.

Owners will be notified by letter in early October and repairs, if needed, will be performed without charge at Honda dealers. About half the recalled cars may have harnesses that were improperly routed; in such cases, the harnesses will be rerouted or replaced if already damaged.

Pepsi vs Coke: The great Indian battle of the bottles

By Paranjoy Guha

NEW DELHI, Sept 17: A sustained nationalist campaign against "multinational icons" Coke and Pepsi notwithstanding, the two soft drinks majors are engaged in a no-holds-barred turf battle for one of the world's most coveted beverage markets -- India.

Two decades ago, two giant multinational corporations, Coca-Cola and IBM, were asked to leave India by then Industry Minister George Fernandes. Today, even if the Hindu nationalist Bharatiya Janata Party (BJP)-led government, to which Fernandes belongs, periodically preaches the virtues of economic self-reliance, Coke and its arch-rival Pepsi are doing rather well in India - and fighting it out bitterly as well.

Manufacturers of soft drinks claim sales are increasing by leaps and bounds -- at least 15 per cent a year but perhaps as much as 25 per cent. Per capita consumption of soft drinks in India used to be one of the lowest in the world, an important reason being the relatively high prices of such beverages.

All that is changing rapidly. Indians cutting across class lines appear to be drinking more and more of the fizzy stuff. The prices of traditional hot beverages, tea and coffee, have gone up tremendously in the past two years, more than doubling in certain parts of the country.

In contrast, thanks to cut-throat competition, prices of soft drinks have actually come down in recent times. Inevitably, sales have picked up and the two biggest players, Pepsi and Coke, are today among the biggest advertisers and sponsors of cultural and sporting events in the country.

Even among the not-so-well-off, drinking a bottle of bubbly cola is less uncommon than what it was, say, 20 years ago when Coke was asked to leave India following its refusal to dilute its foreign equity. This is not surprising if one considers India's burgeoning middle classes, not to mention the country's tropical, humid climate.

The Indian market for soft drinks — currently estimated at around $750 million a year — is unique for a specific reason. This is the only country in the world where Pepsi outsells Coke. For good reasons too.

Pepsi started its India operations in 1989 after then Prime Minister Rajiv Gandhi had personally sat on the company's proposal for over a year. At that time, the biggest opponent to Pepsi's entry was a feisty local entrepreneur Ramesh Chauhan, whose Parle group had cornered over two-thirds of the soft drinks market with brands like Thums Up cola, the clouded-lemon Limca and orange-flavoured Gold Spot. Coke had already left the country in 1978.

Chauhan slashed prices and bitterly fought Pepsi at each step. He lobbied with politicians and bureaucrats to impose stiff export obligations before Pepsi was allowed to operate in the country. He would claim at that time that Indians should feel proud of the fact that they belonged to the only country in the world without foreign brands of soft drinks.

Five years ago, Chauhan did a neat about-turn and sold his venture to Coke for $40 million. As he laughed all the way to the bank, the Atlanta-based multinational — which had earlier failed to set up joint ventures with various Indian partners — came to acquire control of nearly 70 per cent of the market almost overnight.

Since then, Coke and Pepsi have fought a ding-dong battle. Savvy highly-paid executives of each organisation claim it has a higher market share than the other.

According to one independent market research agency, whereas the Parle group controlled 69 per cent of the market in 1993 when Chauhan sold out, the market share of Coke brands (including Thums Up) is currently down to 51 per cent. In this period, Pepsi's market share has risen from 23 per cent to 41 per cent.

Spokespersons of Coca-Cola dispute these figures and claim that Thums Up is India's largest-selling cola brand with a market share of almost one-thirds, followed by Pepsi (28 per cent) and Coke (25 per cent).

The various claims and counter-claims are difficult to verify, but what is evident is the intense rivalry among the two. Coke's television commercial — "Eat cricket, sleep cricket, drink only Coca Cola" — was lampooned by Pepsi and its "Team of cricket players," including Indian skipper Mohammed Azharuddin and Ajay Jadeja. Coke retaliated with a similar ad showing three monkeys — "Don't be a bandar (monkey), taste the thunder".

Then, even as Pepsi was planning to broadcast a commercial based on a folk tune featuring star batsman Sachin Tendulkar, it found that Coke had "pinched" the idea and put out its own commercial based on the same folk tune.

Sometimes the battle of the bottle has spilled over from the marketplace to courtrooms. In 1995, Coke had filed a petition against Pepsi claiming the latter was trying to buy up a bottling plant in the western state of Gujarat owned by one of Coke's partners. It won the legal battle in the Supreme Court.

Earlier this year, Pepsi accused Coke of luring away its own employees as well as the employees of its bottlers by "tempting" them to illegally break employment contracts. Coke predictably refuted the charges when the case was argued in a Delhi court and claimed that its rival was raising flippant issues since it was unable to compete effectively.

The last is yet to be heard in the fizzy battle of the bubbly.

— *India Abroad News Service*