

Indian economy forecast to grow by 5.8pc

NEW DELHI, Feb 10: India's economy is forecast to grow by 5.8 per cent during the current fiscal year on the back of a sharp growth in agriculture sector, a minister said here, reports AFP.

The Junior Minister for Planning, Ram Naik, said the estimates were based on "high agricultural growth" and better performance of service sectors such as transport and communications.

The average annual growth rate of agriculture during the last five years to March 1997 was 4.1 per cent, the sector employs 64 per cent of India's workforce and accounts for 29.4 per cent of gross domestic product.

"The agriculture sector is slated to grow at 6.8 per cent this year," Naik told reporters here.

He said foodgrain output was expected to be 195.25 million tonnes compared to 192.43 million tonnes last year.

"Commercial crops such as oilseeds, sugarcane and cotton are expected to post healthy growth rates of 10 per cent, 4.9 per cent and 25.8 per cent respectively," the minister said.

The service sector is also slated to post a good growth rate of 6.8 per cent, compared to 5.7 per cent registered last year, Naik said.

Indian economy is in the grip of a two-year slowdown with growth declining to five per cent during the last fiscal to March 1998 after averaging 7.5 per cent during the past three years.

BA credit rating moved to "negative"

LONDON, Feb 10: British Airways' credit rating from Standard and Poor's rating agency was moved Tuesday to negative after the airline announced a loss-making third-quarter in fiscal 1998, reports AFP.

Standard and Poor's placed its "A" long-term corporate rating on BA on "CreditWatch with negative implications," blaming the third-quarter losses and "an increasingly competitive fare environment in Europe and on Asian transatlantic routes."

"At the same time, British Airways continues substantial spending for fleet upgrades."

The agency said that although BA had a strong market position and strong hold on Heathrow Airport in London, "it has suffered from a difficult and increasingly competitive operating environment."

This was a result of "the economic slowdown in Asia, liberalization of the airline industry in the EU and overcapacity on transatlantic routes."

US economist says interest rates must come down in Europe

HAMBURG, Germany, Feb 10: A global recession is avoidable if interest rates come down in both the United States and in Europe, said renowned US economist Paul Krugman in an interview to be published in the German weekly investors magazine Boerse Online on Thursday, reports AFP.

"If the US central bank is prepared to cut interest rates where necessary and the European Central Bank (ECB) lowers its rates a little more sharply than necessary, we will not have a global recession," Krugman told the magazine.

In fact, lower rates could boost economic growth in Europe, the economist argued.

"If interest rates are cut sharply now, then Europe's economy could be growing by 3.0-3.5 percent in one or two years," he said. "The slight deflation in Germany and France could turn into slight inflation."

Asahi, Tokai banks urged to withdraw from overseas operations

TOKYO, Feb 10: Japan's Asahi Bank Ltd. and Tokai Bank Ltd. are under pressure from the government to withdraw from all of their overseas operations in return for public funds, a daily said Wednesday, reports AFP.

The two banks, like others, are seeking funds from the government to strengthen their financial base under bank reform laws enacted in October last year.

Asahi will seek some 500 billion yen (4.4 billion dollars) in public money with Tokai expected to apply for some 600 billion yen from a pool of 25 trillion yen available.

But the Sankei Shimbun said that despite such capital injections, the government was still concerned at the financial health of Asahi and Tokai given their massive unrealized losses in stock portfolios.

It said the financial supervisory agency and the financial reconstruction commission had urged them to withdraw from all of their overseas operations in return for public funds.

The newspaper said the government agencies believe Asahi and Tokai should focus more on their domestic operations in the future. But the two banks had reportedly refused to withdraw from overseas business.

In September last year Asahi and Tokai said they were considering forming a strategic tie-up.

Banking, market reforms key to Asia's recovery: ADB chief

MANILA, Feb 10: Asia's recovery from financial crisis will start this year, but reduced capital inflows will rein in the region's economic growth, the new president of the Asian Development Bank (ADB) said Wednesday, reports AFP.

Tadao Chino, who assumed office last month, also said drastic reforms in the banking sector, currency and capital markets held the key to Asia's recovery.

"I think Asian countries have hit the bottom already. Outlook for Asia in 1999 depends on the fate of currency reform initiatives and the mood in the capital markets," he told a news conference.

"Sharp reductions in private capital to Asia will keep the overall supply of foreign exchange to the region well below the pre-crisis level. That's the problem," said Chino, a former Japanese vice minister for international finance.

In the region's recovery, "restructuring and recapitaliza-

tion of banks and firms will be high on the priority list," he said.

"I have a very strong feeling now that in order to revitalize the economies, we have to revitalize the financial sector first," he said, citing the experience of the Japanese economy.

The turmoil, which began in July 1997, has unmasked fundamental problems in the region's financial and banking sectors glossed over by decades of economic boom.

Chino said the bank will make the necessary assistance for capital and bond market development as well as for a "transparent, well supervised banking system."

ADB has been asked to manage an "Asian financial crisis support facility" as part of a 30-billion-dollar Japanese aid package for failing economies, which could be used, among others, as a guarantee for bond issuances, he said.

Chino said he will pursue the policies of his predecessor, Mit-

suo Sato, to make the bank a "broad-based development institution" but will take further steps to reduce poverty.

ADB is preparing a blueprint to reduce poverty in the face of the displacement caused by the Asian crisis but details of the plan are still on the drawing board.

Lasting solutions would involve not just short term but medium and long term measures to ensure that the benefits of economic growth are shared more equitably, he said.

"I would like to stress that the bank would make further efforts to reduce poverty because I believe poverty reduction is the overarching objective of the bank," said Chino.

"As the Asian crisis has been so severe, the provision of adequate social safety nets to the vulnerable population is critical. There is not likely much pressure to devalue," he said.

He China's 145 billion dollars in reserves in 1998 would give Beijing "a thick cushion to resist an attack."

from 5.9 billion dollars in 1998.

Chino said the ADB must find the necessary resources to sustain its programs but declined to confirm rumours that the bank would seek a doubling of its capital base to 150 billion dollars.

He said the bank must first strengthen its "stand-alone financial position" before a general capital increase can be discussed formally in the future.

The official also said he thought China was unlikely to devalue the yuan, because of its large foreign exchange reserves and balance of payment surplus in 1998.

"China's determination to maintain the exchange rate on the yuan had a very stabilizing influence on the currency market. There is not likely much pressure to devalue," he said.

He China's 145 billion dollars in reserves in 1998 would give Beijing "a thick cushion to resist an attack."

US-Japanese trade talks on deregulation in early Mar

WASHINGTON, Feb 10: Senior US and Japanese trade representatives will meet in Tokyo in the first week of March to debate a status report on Japanese deregulation to be unveiled later that month, a US trade official said here Tuesday, reports AFP.

But the official warned that Japan still had a "significant amount of work to do to advance the deregulation process."

The report will review measures already agreed to by the Japanese government to make its economy more open and competitive, and also will set out new steps to be taken, the official said.

He described the document as a "substantive package of measures to address deregulation issues in Japan."

The United States has long pressed Tokyo to tear down barriers to foreign competition in order to stimulate growth, lower consumer prices and boost efficiency.

Japan committed itself to

enhance deregulation efforts during a Group of Seven summit in Colorado in June 1997, and again last May at another G7 gathering in England.

The G7 is made up of Britain, Canada, France, Germany, Italy, Japan and the United States.

While Tokyo has endorsed the idea of new report, "we believe that Japan has significant work to do if our governments are to reach agreement on a substantive package of measures at the end of March."

The report is scheduled to be released near the end of the Japanese fiscal year, when ministries revise their deregulation plans for the new fiscal period.

The March meeting will be chaired by US Deputy Trade Representative Richard Fisher and Japanese Deputy Minister of Foreign Affairs Kouichi Haraguchi, the official said.

He was speaking following two days of working level talks here with Japanese trade delegates that focused on competition.

tion policy, transparency and legal services deregulation.

The Japanese produced interim plans on deregulation measures that the United States found "disappointing," the official said.

In particular, he told journalists, Washington is concerned that local authorities may abuse a new law giving them authority to approve the establishment of large scale retail stores, where foreign goods are traditionally featured.

He complained that Japan's Ministry of Trade and Industry "has not indicated a willingness to put in place reasonable safeguards that we believe are necessary to ensure that local governments do not abuse their new authority under this new law to place discriminatory, anti-competitive barriers on the construction of new stores."

He also expressed disappointment that the Japanese have so far failed to pay sufficient attention to US proposals aimed at strengthening competition in the economy.

Protest against private investment

London underground faces 48-hour strike

LONDON, Feb 10: Union members working on the London underground train network threatened on Wednesday a two-day strike next week over government plans to privatise in part the investment-starved "Tube," reports AFP.

A spokesman for the Rail Maritime and Transport Union, which represents 6,000 of the 16,000 employees working for London Underground, said that one round of talks had broken down and that management was refusing to come to another planned for later in the day.

That means "there's not much chance" of avoiding a strike on Monday and Tuesday, he said.

Although the underground system would continue to function, all areas could be crippled by a shortage of staff, from drivers, to guards and station managers. "It will cause severe

disruption," the union representative said.

At issue are union fears over the effects of plans by the government to drag the "Tube" into the 21st Century by partially privatising the ageing system.

Under the plan announced last year, full privatisation was ruled out in favour of allowing private companies to bid for operating sections of lines, while leaving the running of the trains in the public sector.

Ann Burfitt, at London Transport, urged the union to call off the strike which she said would "cause unnecessary suffering for our customers and staff." She accused the union of asking for "unrealistic" assurances.

Although most underground employees would remain in the public sector, "we cannot give them the assurances

ances they want," she said. "No one can guarantee a job for life."

However, the union's assistant general secretary, Bob Crow, said: "We are not asking for a 10 percent pay rise, we are asking for job security, but they are not prepared to move an inch."

The Financial Times reported on Wednesday that problems in drawing up contracts could push a proposed May 2000 deadline for the project to about 2002.

However, government officials insisted that there was no never been a deadline.

"We want to make this work. We don't have a deadline. Any suggestion that companies interested in bidding had to pre-qualify by last November is wrong. We never set a November deadline," said a department of transport spokesman.

Russia may have less than 300 banks by yr end

MOSCOW, Feb 10: Russia could have fewer than 300 banks by the end of the year, less than one-fifth of its pre-crisis total, central bank chairman Viktor Gerashchenko said yesterday, reports AFP.

The committee stated that Namibia, Zimbabwe and Japan "fully meet the conditions on enforcement" and ivory control set down by the last CITES conference in Harare two years ago, where the proposal was made.

Botswana "almost meets these conditions" but there is need for a further visit by the CITES secretariat's verification team to confirm that further improvements outlined to the meeting have been put in place, the statement said.

The motivation behind the one-off delivery was that most CITES members agreed in 1997 that elephant populations in the three African countries were stable or growing and that the animals should therefore be knocked off the most-endangered species list.

A global ban on trade in elephant ivory tusks has been in force for almost 10 years.

"The CITES Standing Committee (Tuesday) has taken important steps towards agreeing a limited experiment in African elephant ivory to support conservation and community development projects in Zimbabwe, Namibia and Botswana," a statement said.

Members of CITES' standing committee are meeting in Geneva this week to discuss the



A model displays this revealing evening dress with matching hat, part of Renato Balestra's spring-summer high-fashion 1999 collection in Rome, recently.

— UNB/AP photo



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— UNB/AP photo

Indonesian polls won't affect reforms : IMF

JAKARTA, Feb 10: A forthcoming parliamentary election and the prospect of a new government this year probably won't derail Indonesia's economic reform programme, the International Monetary Fund's top official in Asia said Wednesday, reports AFP.

In an interview with Dow Jones Newswires, Hubert Neiss said this view was based on conversations with Indonesia's main opposition leaders who, he says, broadly support the government's agreement with the IMF.

"The IMF programme is not a big controversial issue among the major opposition leaders," Neiss said. "This is a very positive development that the economic measures of the government are not subject to fierce political dispute, and that is because there's basic, basic agreement among the various opposition leaders that the country's should be pursuing this programme."

Neiss met this week with major opposition figures, including Abdurrahman Wahid, popularly known as Gus Dur, leader of the country's largest Muslim organisation, Nahdlatul Ulama. He also talked with representatives of presidential hopeful Megawati Sukarnoputri, who is the daughter of Indonesia's founding leader Sukarno.

Indonesia is scheduled to hold an election for its 500-member Parliament on June 7.