

## 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 Poors rating agency was moved Tuesday to negative after the airline announced a loss-making third-quarter in fiscal 1998, reports AFP.

Standard and Poors 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.

"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 ailing 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 strategy 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 in the short term," he said.

ADB's total public sector lending this year is expected to reach 6.5 to 7.5 billion dollars,

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, Koizumi Haraguchi, the official said.

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

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, which 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 assur-

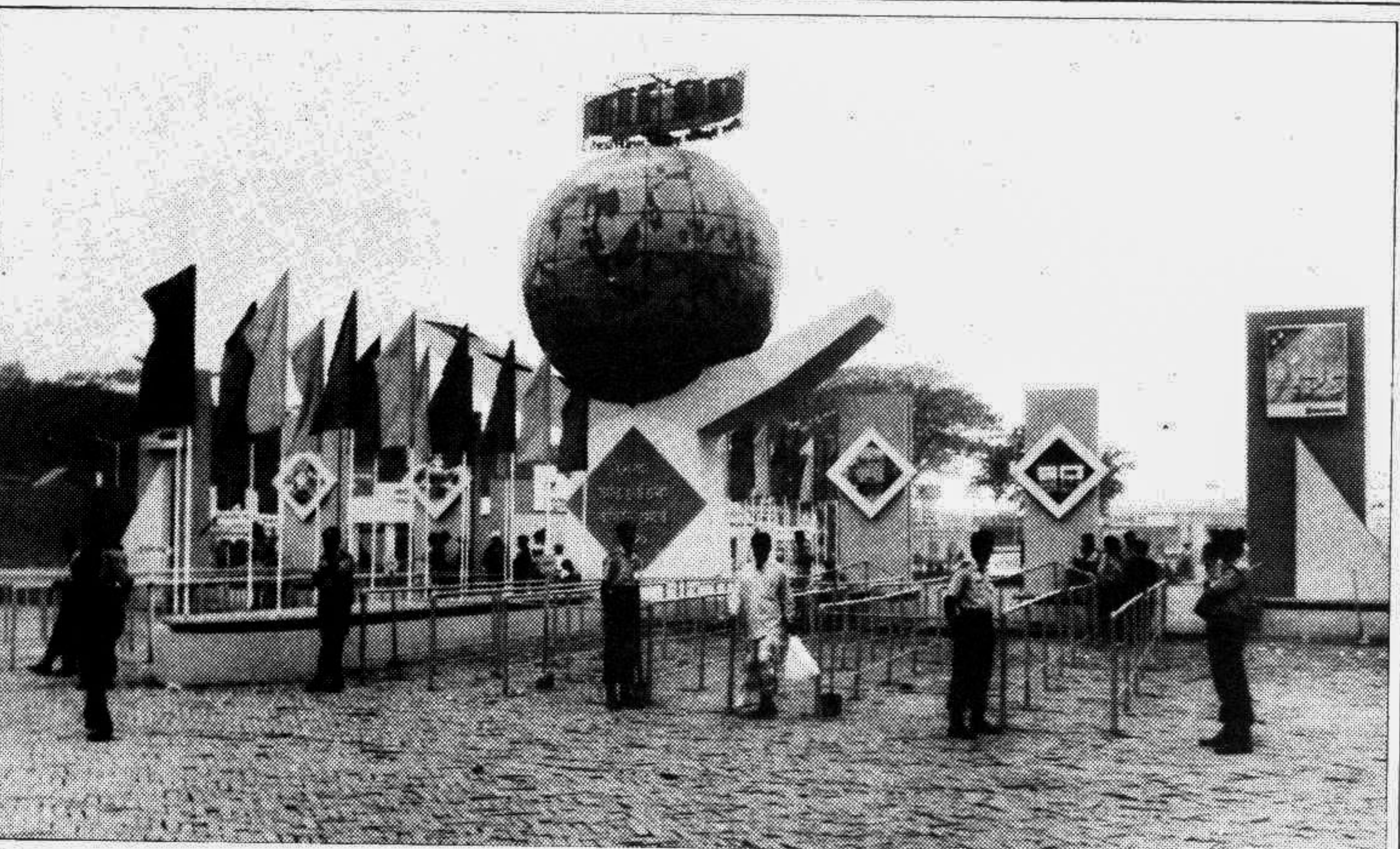
ances they want", she said. "No one can guarantee a job for life."

However, the union's 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 with operating companies could push a proposed May 2000 deadline for the project to about 2002.

However, government officials insisted that there was no rush and said that there had 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.



AN EMPTY FAIR: The Dhaka International Trade Fair was open during the hartal. But it hardly attracted any visitors. — Star photo

# Credit Agricole interested in Credit Lyonnais

PARIS, Feb 10: The Cooperative bank Credit Agricole is interested in state-owned bank Credit Lyonnais, which is to be privatised soon, its managing director said on Wednesday, reports AFP.

"I have read that the leaders of Credit Lyonnais have shown an interest in a solution involving a cooperative, and Credit Agricole in particular," Lucien Douroux said in an interview with Les Echos newspaper.

"This is a factor which, obviously needs to be taken into account and we will examine it as we would examine any opportunities that present themselves."

Credit Lyonnais is finally to be privatised in the first half of this year, the price set by Brussels for a final state aid package in 1998 following heavy losses in the early 1990s through a combination of mismanagement, real estate losses and al-

leged skulduggery.

But the government has said it wants the bank to have a "core" group of approved shareholders from the banking sector.

Credit Lyonnais president Jean Peyrelevade has meanwhile publicly opposed bringing in rival private banks such as Societe Generale or Paribas, at least partly through fears that this would lead to more job losses at the state-owned giant, which has already said it will axe 1,000 jobs a year.

Ratings agency Standard and Poor's said in January that the chief handicap for French banks was the slowness in restructuring compared with other European banks, to the point where "they sometimes give the impression of going backwards."

It also warned that the Credit Lyonnais privatisation "seems set to become yet another

missed chance to undertake consolidation of the French banking sector."

Societe Generale and Paribas have since agreed to merge, creating the largest French bank, overtaking Credit Agricole, which may explain Douroux's interest now in acquiring at least part of Credit Lyonnais.

Credit Agricole is also hampered in raising money on the financial markets by its cooperative status, and is interested in acquiring a "quoted vehicle" which would enable the group to offer shares to pay for future acquisitions, Douroux said.

There too a stake in a privatised and house listed Credit Lyonnais could help.

The Societe Generale/Paribas tie-up has also increased pressure on the French banking sector to move faster in restructuring as has already happened elsewhere in Europe.

## Italy legalises 2.5 lakh immigrants

ROME, Feb 10: The Italian government on Tuesday approved a decree to legalise 250,000 illegal immigrants under a campaign that saw the scheduled quota overfilled nearly seven times, reports AFP.

The seven-week campaign, which ended on December 15, urged illegal immigrants to acquire their papers provided they had work, accommodation, no criminal record and had arrived in Italy before March 27 1998, when a new immigration law came into force.

The operation set aside a quota of 38,000 residence permits, but 308,000 people applied, Interior Minister Rosa Russo Iervolino told the press.

A total of 250,000 people met the conditions, she said.

Authorities will issue 38,000 residence permits, and the remainder will receive temporary papers until the next quota is announced, Russo Iervolino said.

The government had already issued a quota of 20,000 permits for 1998.

Those who do not meet residence requirements will be expelled, she said.

## SK Corp's profit jumps in 1998

SEOUL, Feb 10: South Korea's SK Corp. said Wednesday its net profit jumped more than five-fold to 115.7 billion won (98.4 million dollars) in 1998 from 20.2 billion won a year ago, helped by cost-cuts and restructuring, reports AFP.

The rebound reflected its austere restructuring through cost reduction and job cuts as well as disposal of marginal departments," the company said in a statement.

SK Corp., a key subsidiary of South Korea's fifth largest conglomerate, the SK Group, said its 1998 sales also rose to 11 trillion won from 10.8 trillion won.

The company, however, predicted that its sales this year would slump to 10.2 trillion won because of sluggish demand for petrochemical and chemical products.

SK plans to divest two or three unprofitable operations this year as part of its reform plans to focus on core businesses such as petrochemicals and gas.

It earmarked 600 billion won for investment this year -- 270 billion won for facilities and maintenance, 210 billion won for marketing, 90 billion won for oil exploration and 30 billion won for medical development.

The company promised to step up outsourcing and the spinning-off of non-viable operations, citing stiff competition in the oversupplied global market and weak exports.

# Bid to avert debt defaults Brazil ministers, governors end 'very positive meeting'

BRASILIA, Feb 10: Three Brazilian ministers led by Finance Minister Pedro Malan concluded a meeting with three opposition state governors here Tuesday in a bid to avert debt defaults by several states, reports AFP.

Both sides came out saying the talks had been valuable.

Telecommunications Minister Joao Pimenta da Veiga called the meeting "of great value" and said he would relay its contents Wednesday to President Fernando Henrique Cardoso, who could set a date to meet with the governors himself.

"It was a very positive meeting," according to Rio de Janeiro Governor Anthony Garotinho, who hails from the opposition Democratic Labor Party.

"It helped move the dialogue forward," said Rio Grande do Sul Governor Olvio Dutra of the left-of-center Workers Party.

Malan and Pimenta da Veiga were accompanied by Social Welfare Minister Waldeck Ornelas at the meeting.

Governors Garotinho and Dutra were joined by Alagoas Governor Ronaldo Lessa, of the Socialist Party, as representatives of seven opposition governors who want to renegotiate their states' debts with the central government.

Cardoso had refused to meet with the governors after they

issued a joint statement Friday saying they would limit their debt payments to five percent of their states' revenues.

Moreover, in Pimenta da Veiga's announcement Monday that he, Malan, and Lessa would meet with the three governors who had traveled to Brasilia, he said the agenda would not "in-

## Stora Enso face 46pc fall in profit

HELSINKI, Feb 10: The Swedish-Finnish forestry and paper group Stora Enso reported a 46 per cent drop in pre-tax profit for 1998, following provisions made last year to cover costs for the merger between Swedish Stora and Finnish Enso, reports AFP.

The total debt of the country's 27 states with the central government exceeds 100 billion reais (about 56 billion dollars).

If Cardoso were to renegotiate a large part of these debts, revenue for the already financially strapped central government would fall.

Brazil's latest economic crisis was sparked in early January when the governor of Minas Gerais, one of Brazil's most economically important states, declared a 90-day moratorium on his state's 18.5 billion real debt, including debt owed to the central government.

clude any of the proposals put forth in Friday's statement."

Malan's meeting with the three governors will only address economic matters concerning a certain number of states that are facing difficulties," Pimenta da Veiga said.

But Garotinho nevertheless welcomed the meeting.

"If the dialogue is productive, it could be the first of a series of meetings which could ultimately lead to a meeting with the president," he told a press conference Monday.

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Financial analysts fear a renegotiation of the states' debt could undermine Brazil's efforts to cut its public debt in line with the new framework agreement reached Thursday with the International Monetary Fund, which set conditions for new disbursements of a critical 41.5 billion dollar loan.



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

## 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 present total, central bank chairman Viktor Gerashchenko said yesterday, reports AFP.

Gerashchenko said the authorities had already stripped licenses from 200 banks and 200 more could follow suit "without any problems," Russian news agencies reported.

Thereafter "everything depends on how the restructuring goes and whether we can attract foreign capital into the Russian banking sector," Gerashchenko was quoted as saying.

The problem involves whether to lean up or wind up, taking into account primarily the interests of investors," he said.

Russian banks were wrecked by the crisis which culminated last August in a debt default that wiped out their asset base and a rouble devaluation that magnified foreign exchange liabilities.

Gerashchenko's words came a day after Uneximbank became the first Russian bank to declare it was defaulting on its eurobond obligations.

## 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 AP.

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, Nadhlatul 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.