

India again faces economic troubles

Upcoming budget may include second generation of reforms

NEW DELHI, Feb 25: India again faces economic troubles that forced it to take strong medicine a decade ago, raising expectations the upcoming federal budget will include a comprehensive second generation of reforms, reports AP.

For the Hindu nationalists-led government of Prime Minister Atal Bihari Vajpayee, the budget to be presented Saturday may be the last chance to redeem itself and kick-start the economy.

Finance Minister Yashwant Sinha may announce steps suggested by his own Economic Survey for 1998-99: liberalising trade in agriculture, sharply reducing the fiscal deficit and cutting interest rates to revive the spirits of entrepreneurs.

In an indication of the government's thinking, the railway budget announced Thursday included hikes in passenger and freight fares. The budget for the state-owned railway is al-

ways introduced before the general budget in a tradition dating to the days when it was one of the most important federal undertakings.

Devaluing the rupee is a distinct possibility, in an attempt to reverse a drop in exports. The survey, an economic review presented to Parliament Wednesday, put the clock back to 1990-91, when fear of bankruptcy linked to socialist-style spending forced the government to reduce the fiscal deficit from 7.7 per cent of GDP to 5.4 per cent and the crisis was averted.

Early in January, Sinha said the deficit for the current fiscal year could be slightly off its target of 5.6 per cent of the gross domestic product, but he did not set a figure. The independent National Council for Applied Economic Research has predicted the fiscal deficit could be 6.1 per cent.

"The budget should sort out the fiscal mess.... When the crunch comes, the fiscal deficit could spill over into an unmanageable balance of payments situation and an acceleration in the rate of inflation," said Deepak Nayyar, a former chief economic adviser to the federal government.

"We probably need another bankruptcy to bring about further improvement," economist Swaminathan S. Anklesaria Aiyer added in a front-page article Thursday in *The Economic Times* newspaper.

Despite indications of economic crisis, it was politics that dominated Parliament in the days preceding the budget. The opposition has united against ratifying the federal rule Vajpayee's government had recommended for the crime-ridden northern state of Bihar. If the government can't get the ratification passed, it would be a sign

of weakness, and perhaps a signal for opposition parties to try and topple the government.

Vajpayee is further weakened by a split in his Bharatiya Janata Party, with a powerful nationalist section stonewalling attempts by moderates to lower subsidies and sell off struggling state-owned companies.

Reform in the early 1990s spurred growth, but progress has slowed amid weak governments and political wrangling over the pace and direction of reform.

The Economic Survey painted a grim picture of industrial output and exports and only a modest 5.8 per cent rate of economic growth for 1998-99.

The growth rate as a percentage of gross domestic product was slightly better than the 5 per cent of 1997-98, but well off the previous year's 7.8 per cent.

UK's pound scrapping bid for adopting euro
Blair squashed between public hostility, sceptic press

LONDON, Feb 25: Prime Minister Tony Blair was left yesterday with two problems after his high-powered launch of a campaign to put Britain into the euro single currency: Public hostility and the eurosceptic press, reports AFP.

Blair's unveiling on Tuesday of a timetable and measures for entering the euro were seen as a huge opening shot by the Labour Government in a battle that will climax with a referendum, probably in 2001 or 2002.

Much of the business community, the unions and most of the labour-dominated parliament are ready to go beyond the referendum on 2004 or 2005, meaning the changeover could take place in 2004 or 2005.

The Financial Times, much respected in the city of London, said that Blair's Labour finally became a proper government.

But despite the euphorics' gleam that Blair had signalled an end to London's dithering, and despite the complete disarray in

the Conservative Party opposition, big problem remains: the public is against.

The latest poll, taken in February, showed that 52 per cent of the public opposes ditching the pound and only 36 per cent are in favour.

Left-wing guardian columnist Polly Toynbee said that Blair's "tone and his manner of such authority (mean) you might think the argument was all but over, bar a bit of eurosceptic bleating."

Blair's official spokesman told reporters that "it is an argument in which real public opinion has to be engaged."

He said: "The campaign for the euro must go beyond the press — which paper is for and against euro — and get to ordinary people's level."

But that might be easier said than done since the most eurosceptic newspapers are also the most widely read.

The mass-market tabloid *The Sun* attacked Blair's claim to be merely preparing for the

euro just in case the referendum passes as a trick.

Blair "sounded the death knell of the pound — years before the British people will get a chance to have their say," *The Sun* said.

The rightwing *Daily Telegraph* echoed this saying that "Blair is hoping to edge us, unresisting in the direction of the euro, then warned: 'It is not too early to resist.'"

Opposition to the entry into the euro is based on fears of an erosion of British independence, but also, more worryingly for the business community, the fear that Britain's more deregulated and lower taxed economy is not suited to such close links to those in the euro, especially in France and Germany.

He underlined that Britain wanted to see Europe reform its labour practices, saying this is a real question.

We must be sure that the European union is moving forwards and not backwards.

Baghdad urges Riyadh to cut oil output by 1.5m BPD

BAGHDAD, Feb 25: Iraqi Oil Minister General Amer Rashid urged Saudi Arabia yesterday to slash oil output by at least 1.5 million barrels per day (BPD), in an effort to raise prices, reports AP.

"Saudi Arabia must reduce production by 1.5 million BPD at least," he told reporters. "We have officially sent a letter to all members of OPEC including Saudi Arabia," General Rashid said, charging that Riyadh had "contributed greatly" to the collapse of prices.

Saudi Arabia must reduce its production for the interest of its own people and those of other producers, he said on the sidelines of a parliamentary meeting on oil prices.

He charged that Riyadh was carrying out a US plot to damage producers.

The Gulf kingdom's quota in July 1990 was 5.38 million BPD, but by the second quarter of 1991 its production had risen to more than eight million BPD as it took over part of Iraq's 3.14 million BPD quota.

Iraq was placed under a UN embargo following its 1990 invasion of Kuwait.

But under a UN programme launched in December 1996, Baghdad is allowed to sell a value-fixed amount of crude in six-month phases, to finance humanitarian imports.

On Tuesday, however, UN chief Kofi Annan predicted a shortfall of almost one billion dollars in the founding of the humanitarian programme during the current six-month phase because of depressed prices.

Ex-Mazda worker gets \$4.4m in sex-abuse case

MIAMI, Feb 25: Mazda has been ordered by a federal jury to pay a former employee of its north American unit here 4.4 million dollars in a sexual-harassment lawsuit, reports AP.

The jury awarded three million dollars for emotional pain and suffering, and one million dollars for Mazda's negligence to Gabriella Arango, who alleged she had been harassed by her boss, Masaki Nakashima.

Mazda was also ordered to pay 390,000 dollars in lost wages and benefits and 20,000 dollars in future medical and psychological or psychiatric expenses.

Arango claimed Nakashima repeatedly touched her, chased her around the office, hit her with a telephone and said "if you obey what I say, you'll get anything you want."

Mazda denied Arango's allegations and said it will challenge the jury award.

Arango worked at Mazda's local office for five years, rising from a secretary to a marketing position in which she helped to arrange auto shows in Latin America, she maintained she was forced at times to lock herself in the office bathroom to get away from her harasser.

She was fired in June 1996. Nakashima remains the head of the local office.

Compensation for Cambodia
Taiwan's petrochemical giant to clean up toxic waste

PHNOM PENH, Feb 25: Taiwanese petrochemical giant Formosa Plastics Corp agreed Thursday to clean up a nearly 3,000-ton toxic waste dump in Cambodia within 60 days, according to a Cambodian government negotiator, reports AP.

A multi-million-dollar compensation package demanded by Cambodia for environmental damages was not included in the disposal agreement, but government negotiator Om Yenteng said the deal did not rule out future negotiations for compensation.

"Too much attention has been paid to compensation," Om Yenteng said. "We need to send the waste back, and the compensation issue has delayed its export. Everything else can be delayed pending future negotiations, but shipping the waste out cannot be delayed."

The waste, described as "brine sludge contaminated with mercury" — was discovered by environment officials in December in a crude dump about 10 kilometers (six miles) outside the southwestern port of

Sihanoukville.

A dock worker died soon after cleaning the hold of ship that transported the waste from Taiwan, sparking hysteria and rioting. Four more people were killed in traffic accidents as panicked residents fled the town.

A sixth death — a man who rummaged through the dump and slept on the sacks the waste came in — has also been linked to the waste.

Despite initial denials from Formosa that the waste is toxic, multiple independent tests determined that it contains dangerous levels of the poisonous metal mercury.

Formosa agreed in the deal to pay for medical treatment for victims, but only after joint diagnosis by physicians hired by the company and the government determines poisoning.

The deal was criticised by a lawyers group representing villagers living near the dump site who may have been poisoned by the mercury or other toxins in the waste.

Legal Aid also blasted For-

mosa's continued refusal during negotiations to discuss compensation for environmental damages.

Formosa Plastics Corp should be responsible for providing compensation for all non-medical and medical damages as a result of the export of toxic waste into Cambodia, the group said in a statement.

Formosa President Lee Chih-tsun has previously brushed off questions on compensation, saying that the company had a contract with an agent to dispose of the waste and had acted legally.

If Formosa does not remove the waste from Cambodia and clean up the site by the 60-day deadline, it faces cash penalties of \$1,000 a day for the first 15 days, Om Yenteng said.

The penalty increases by \$1,000 every 15 days, reaching a maximum of \$5,000 a day.

The cleanup will be supervised by a third party to ensure it is done to international standards. Om Yenteng said Cambodian workers may be used by Formosa in the cleanup.



RIO DE JANEIRO (Brazil): Jürgen Strube (L), vice chairman of the European Union/Mercosur Forum and President of the German-based BASF company, attends the closing press conference of the forum, Tuesday in Rio de Janeiro, along with Roberto Jaquaribe, Brazilian promotional director. Both groups said they have opened the way to free trade between their economic blocks. — AFP photo.

IMF calls for private sector role in Tanzanian growth

DAR ES SALAAM, Feb 25: An International Monetary Fund (IMF) report ended a four-day tour of Tanzania yesterday with a call for the country to intensify reforms by involving the private sector to enhance growth, reports AP.

"We are pleased to note that the economy has stabilised, inflation is now around 10 per cent and, despite bad weather, the gross domestic product (GDP) growth rate," IMF Deputy Managing Director Shigenitsu Sugisaki told a news conference here.

Sugisaki said growth rates of 3.5 to 4.5 per cent were good since they were above the population growth rate of 2.8 per

cent, but the country needed faster GDP growth at rates between six and seven per cent and that could be achieved through wider involvement of the private sector.

The IMF official said the private sector should be helped to take a more active role in industry, mining and financial services following the ongoing government's gradual divestiture from parastatals.

Sugisaki said the IMF was keen to support Tanzania's efforts in easing its external debt servicing burden and to make available resources to important social services like education and health care delivery.

Tanzania's external debt currently stands at about nine

billion US dollars and more than 800 million dollars in required annually for its servicing," Sugisaki said.

He said the IMF board recently approved an \$2 million dollar concessionary aid package under the enhanced structural adjustment facility (ESAF) scheme.

However, he said, Tanzania was currently getting bilateral and multilateral debt relief assistance which have largely mitigated the debt servicing burden from 880 million dollars to 220 million dollars.

He said Tanzania had continued to receive external grants and loans totalling about 1.2 billion dollars, meaning that more capital was now flowing in compared with the amount being paid out.

"This is healthy development for an economy," Sugisaki said, and pledged that the IMF would later this year study Tanzania's debt situation to see if the country was eligible for admission to the heavily indebted poor countries (HIPC) programme.

The HIPC initiative seeks to ensure that poor heavily indebted countries that have shown a sound track record of economic adjustment can attain a sustainable debt situation over the medium term.

Sugisaki said he met Tanzanian President Benjamin Mkapa, who told him that the government was serious in its anti-graft war.

"We are very happy with his seriousness in promoting good governance, particularly fighting corruption," Sugisaki told journalists, a few hours before leaving Dar Es Salaam for Maputo in neighbouring Mozambique.

Gordon said a major concern

PAL domestic fleet to drop Fokker 50

MANILA, Feb 25: Ailing Philippine Airlines (PAL) said on Thursday it would stop flying this week its Fokker 50 turbo-propeller planes which it has used on domestic routes for more than a decade, reports AP.

The flag carrier said the Dutch-made Fokker aircraft, which it started using on far-flung domestic destinations in September 1988, would be replaced by Boeing 737-300 jets starting Sunday.

PAL did not say how many Fokker planes it would remove from its fleet but said the change will improve the carrier's domestic operations. The airline dominates the country's domestic airline market.

PAL has completed a draft of a rehabilitation plan to bring itself back to profitability.

Japanese crime boss buying up JAL shares

TOKYO, Feb 25: A reputed Japanese organised crime boss has amassed a million shares of stock in the country's leading air carrier, making him its second-largest individual shareholder, a local media report said Thursday, reports AP.

The unnamed head of a Tokyo-based group affiliated with the Yamaguchi-gumi crime syndicate acquired the 0.06 per cent stake in Japan Airlines Co as of January, Fuji Television Network Inc. reported, citing unnamed sources.

A spokesman for Japan Airlines declined to comment on the report and would not disclose the names of the company's top individual shareholders.

"We don't comment in regard to individual shareholders," said JAL spokesman Yasuhiro Takebayashi.

Asian stocks close lower

HONG KONG, Feb 25: Asian markets ended mostly lower in quiet trading Thursday, with Wall Street's overnight loss setting the tone. But Tokyo — the region's largest — bucked the trend and rallied on hopes of economic pressure from the US, reports AP.

Despite a 144-point loss of the Dow Jones Industrial Average in New York Wednesday, Tokyo shares rose on expectations that the United States would pressure Japan to do more to stimulate its economy. The US dollar plunged against the yen.

The benchmark 225-issue Nikkei Stock Average rose 115 points, or 0.80 per cent, ending the day at 14,470.45. On Wednesday, the Nikkei had closed down 145.20 points, or 1 per cent.

The dollar bought 120.62 yen late afternoon, down 0.74 yen from late Wednesday in Tokyo and also below its late New York level of 121.80 yen.

US Deputy Treasury Secretary Lawrence Summers said in Seoul Thursday that the Japanese economy was "still very troubling" and urged Tokyo to take steps to generate strong domestic demand-led growth.

Summers was en route to Tokyo, where he was to participate in a financial meeting.

In Hong Kong, the market's two-day rally ended as shares fell despite a good showing from HSBC Holdings PLC — the banking giant that is the market's biggest company.

Although HSBC Holdings rose 2.00 Hong Kong dollars to 213.00, it wasn't enough to offset losses among other blue-chips.

Shanghai lotteries raise \$10.88

SHANGHAI, Feb 25: Shanghai city government lotteries raised more than 90 million yuan (10.88 million dollar) for charity last year, the official *Wenhui* daily newspaper said today, reports Reuters.

It said people bought lottery tickets worth more than 300 million yuan and 23 of them had won 1.0 million yuan.

The money went mainly to building facilities like orphanages, the newspaper said.

At the hearing, Deputy Secretary of Defense John Hamre stressed that "our nuclear command and control system has been thoroughly tested and has performed superbly."

The Pentagon has been criticized as among the worst government agencies in confronting the crisis. But Hamre said 93 per cent of systems will be fixed by March 31, the deadline President Clinton set, and 100 per cent by the end of the year.

There is nothing to suggest

March. The SET Index fell 3.50 points, or 1 per cent, to close at 332.67.

JAKARTA: Shares fell on concerns over market leader PT Telekomunikasi Indonesia. The JX Composite Index fell 4.95 points, or 1 per cent, to 397.803.

KUALA LUMPUR: Shares fell after poor earnings reports from the Genting group of companies. The Composite Index fell 3.89 points, or 0.70 per cent, to close at 549.24.

MANILA: Prices rose on bargain-hunting for Philippine Long Distance Telephone shares. The PSE Index rose 11.80 points, or 0.6 per cent, to close at 1,945.91.

SEOUL: Shares rose on a technical rebound after a five-day losing streak. The KOSPI was 0.72 points, or 0.14 per cent, to close at 499.14.

SINGAPORE: Shares fell after early buying interest fizzled. The STI fell 0.76 points, or 0.1 per cent, to close at 1,410.22 points.

SYDNEY: Shares fell on mixed corporate earnings and higher bond yields. The All Ordinaries index fell 29.7 points, or 1.0 per cent, to close at 2,904.8.

TAIPEI: Shares rose on recent government measures to shore up the market. The

Weighted Price Index rose 36.66 points, or 0.58 per cent, to close at 6,275.53.

WELLINGTON: Shares fell on lack of buying support. The NZSE-40 capital index fell 15.87 points, or 0.71 per cent, to close at 2,130.35.

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to clients.

Currency	Selling TT & OD	Selling BC	Buying TT	Buying OD Sight	Buying OD Transfer
US Dollar	48.7300	48.7700	48.8100	48.1570	48.0850
Pound Sig	78.2117	78.2759	77.0061	76.7623	76.6475
Deutsche Mark	27.8478	27.8706	26.8470	26.7620	26.7219
Swiss Franc	33.8520	33.8798	33.3058	33.2003	33.1506
Japanese Yen	0.4030	0.4033	0.3959	0.3947	0.3941
Dutch Guilder	24.7154	24.7357	23.8272	23.7511	23.7162
Danish Krona	25.0077	25.0282	23.5647	23.4901	23.4550
Australian \$	31.1190	31.1445	29.8604	29.7658	29.7213
Belgian Franc	1.3502	1.3513	1.3016	1.2975	1.2956
Canadian \$	32.7861	32.8130	31.8499	31.7491	31.7016
French Franc	8.3032	8.3100	8.0048	7.9795	7.9675
Hong Kong \$	6.3021	6.3072	6.2228	6.2031	6.1938
Italian Lira	0.0281	0.0282	0.0271	0.0270	0.0270
Norway Kroner	6.2174	6.2225	6.1102	6.0908	6.0817
Singapore \$	28.4887	28.5121	27.5821	27.4947	27.4536
Saudi Rial	13.0259	13.0366	12.8433	12.8026	12.7835
US Dirham	13.3044	13.3153	13.1167	13.0751	13.0556
Swedish Krona	6.0266	6.0316	5.9461	5.9273	5.9184
Qatari Riyal	13.4261	13.4371	13.2302	13.1883	13.1686
Kuwaiti Dinar	165.4388	165.5746	153.5357	153.0494	152.8206
Thai Baht	1.2986	1.2997	1.2847	1.2806	1.2787
Euro	54.4655	54.5102	52.5081	52.3418	52.2636

Bill buying rates
TT Doc 30 Days 60 Days 90 Days 120 Days 180 Days
48.2112 47.9074 47.5048 47.1023 46.6997 45.8945

US Dollar London Interbank Offered Rate (LIBOR)
Buying Selling Currency 1 Month 3 Months 6 Months 9 Months 12 Months
48.0850 48.7300 USD 4.94 5.00 5.08 5.18 5.31
48.0850 48.7300 GBP 5.25 5.375 5.3125 5.28125 5.28125
Cash/TC Cash/TC Euro 3.06 3.05 3.04 2.98 2.98

Exchange rates of some Asian currencies against US dollars
Indian Rupee Pak Rupee Thai Baht Malaysian Ringgit Indonesian Rupiah Korean Won
42.5304/2.580 51.240/51.290 37.470/37.520 3.7993/3.8002 8750/8850 1223.5/1226.5

Amex notes on Thursday's market
The USD/BDT market was at previous day's range. USD/BDT rate opened at 48.65 as one government bank was selling at Bangladesh Bank selling rate, later on the day the dollar rose against the local taka as demand for the greenback still remained high. The inter bank call money market was steady with rates ranging between 10.50 and 10.75 per cent.

The dollar was lower against the yen by late afternoon in Tokyo on Thursday in a choppy trading session headed by much anticipated news conference by top financial diplomat Eisuke Sakakibara. The dollar weakened in the afternoon even after US Deputy Treasury Secretary Lawrence Summers declined to comment on the yen's recent fall. A drop in US Treasuries overnight due to selling by Japanese investors, including life insurers, also helped temper rises in the dollar.

The Euro was higher versus the dollar, boosted indirectly by buying of the euro versus yen. Euro buying was detected near 133 yen, and the euro was also cheered by the dollar's fall against the yen. But the euro, which fell to a fresh low of around \$1.0925 on Wednesday was likely to remain weak.

Sterling crashed below \$1.60 for first time in nearly 1-1/2 years on Wednesday. The pound fell over one per cent, to its lowest since September 1997, one day after British Prime Minister Tony Blair said he would actively prepare to join European economic and monetary union and unveiled plans for the changeover. While British entry into EMU must be endorsed by a referendum, sterling was an easy prey as the US economy's resilience in the face of more than 12 months of international financial turmoil kept the dollar bolstered across the board.

At 7:01 GMT the majors traded against the USD at 120.41/120.46 JPY, 1.4434/1.4444 CHF, EUR at \$1.1022/1.1032 and GBP at \$1.6000/1.6005.

Russia, China seen falling victim to Y2K glitch

WASHINGTON, Feb 25: Russian missiles, Chinese power systems and Mideast shipping could all face breakdowns because many foreign countries are failing to face up to the seriousness of the Year 2000 computer problem, the CIA has told Congress, reports AP.

Air Force Gen. John Gordon, CIA deputy director, told a Senate Armed Services Committee hearing Wednesday that Russia appears particularly vulnerable, raising concerns about the safety of its missiles, nuclear plants and gas pipelines.

"We do not see a problem in terms of Russian or Chinese missiles, automatically being launched" because of Y2K-related problems. But computer

glitches could cause local accidents if temperature or humidity monitors malfunction, or Russian missile early