Indian business, industry panic as govt fails to scrape through

BOMBAY, Apr 17: The federal government's defeat in a parliamentary confidence vote Saturday alarmed business and industry leaders, who foresee long-term political instability, postponed reform of insurance and patent laws and a worsening investor mood, reports AP.

Businessmen and analysts in India's financial capital, Bombay, are well aware that if a minority government headed by the Congress Party is formed, it can only bring fleeting peace to stave off instability.

The stock market plummeted minutes after the vote. The Bombay Stock Exchange sensitive index plunged 7 per cent to 3318 from Friday's close of 3572.91.

Stocks had surged 3.8 per cent when the market opened Saturday in expectation that the government would win.

"The market was desperately hoping for the government to scrape through. There will be huge uncertainty because the budget, seen as investor-friendly, will not be passed. We will have to wait for new government to pass it," said KR Bharat, country manager of Credit Suisse First Boston, an American investment bank.

"A Congress-led coalition is not good news for the market because the Left is part of the coalition and reforms will take a back seat."

Over the last few weeks businessmen were edgy and the stock market mercurial as the govern— el headed by Atal Behari Vajpayee struggled to make the numbers required to stay in power.

Businessmen worried that important reform measures in insurance, patents and urban land rent ceilings would be sidelined with the possibility of the country facing its fourth general election since 1991.

"Investors are not keen on a government for only the next six months. Continuance is important," said Devesh Kumar, head of research at ABN AMRO Asia equities.

"Any new government will still be a minority government so the nervousness will remain."

The Bharatiya Janata Party-led federal government lost the confidence of parliament. But it is the coalition partners of its biggest rival, the Congress Party, who make industry anxious.

"It will be a hotchpotch and a story of numbers all over again. This will be nothing but a stop gap arrangement," said Sagar Narsayan, head of business development at Satyam Infoway, the country's first private Internet service provider.

"If one or the other members doesn't like something, the whole thing will fall apart and we're back at the beginning," he said.

Companies believe compromises hammered out among any new minority government's allies could be dangerous for industry and elections could cost the country dear.

"There is no stability, this only makes things worse. For industry it is miserable. No decisions will be taken. With this scenario any threat could prove fatal for the government. Decisions will be driven by politics and not economics," said Prashant Pande, marketing director of Modi-Revlon, a cosmetic venture.

Analysts observed that another confidence motion could not be moved for six months. But others felt a short-lived reprieve did not make long-term business sense.

"How much strength will the government have to pass bills? Instability doesn't send a good signal out to people who want to invest in India," said Satyam's Narsayan.

Observers are despondent that there will be no push to reforms for some time to come. "Investors felt the former government would have been able to push through legislation in insurance, patents and urban land ceiling," said K.R. Bharat, of Credit Suisse First Boston.

Row over latest missile tests

German aid resumption to India, Pakistan unlikely

BONN, Apr 17: The prospect of resumption of German aid to India and Pakistan appears dim in the aftermath of the missile tests.

German aid to these two countries was suspended last year following the nuclear tests. Till then India was the largest recipient of German aid.

"I do not envisage that German aid will be resumed soon to both India and Pakistan, especially after they conducted the latest missile tests," a senior German official told IANS.

The official, who emphasised that he was merely expressing his personal views, pointed out that one of the criteria used to allocate German foreign aid to Third World countries was the military spending by the recipients.

Both India and Pakistan had created the image of engaging themselves in heavy arms spending while other priorities such as development and the alleviation of hunger and poverty seemed to have retreated into the background.

"There is also the perception in Germany that the two have unleashed an arms race whose results could be catastrophic not only for South Asia but also for the entire world," the official said.

There has yet been no official reaction from the German Government to the two missile tests. The German delay in reacting to the new phase in the arms race could be due to its involvement in the Kosovo crisis.

The muted reaction this time is a far cry from last year's nuclear tests when both India and Pakistan received blistering criticism not only from the media but also from the official government channels, culminating in the suspension of official development assistance (ODA) and other sanctions.

Until last year, India had been the darling of German aid planners. India's consistent adherence to a democratic form of government with all the trappings of free elections and a free press were rewarded with a large German aid package.

German ODA to India had been gradually reduced due to budget constraints from the annual DM 400 million in the 1980s to DM 300 million in 1997.

There is an ingrained aversion on the part of the German tax payers to government funding of the Third World.

— India Abroad News Service

Access to Japan insurance market

Washington-Tokyo talks fail to bridge gaps

WASHINGTON, Apr 17: US and Japanese negotiators failed to bridge differences over foreign access to the Japanese insurance market despite a day of positive and constructive talks, a US trade official said here yesterday, reports AFP.

"We have seen concrete progress but we do continue to have problems," said the official, speaking on background to reporters.

At issue are US complaints that Tokyo has yet to fully implement terms of agreements signed in 1994 and 1996 aimed at giving foreign insurance companies better access to Japan's lucrative life and non-life insurance sectors.

"We still do have some important, serious differences with regard of implementation," according to the official.

But he stressed that Friday's contacts amounted to "a very good and constructive discussion," which took place in a "positive atmosphere."

The United States proposed additional negotiations in Tokyo over the next few months, but no firm date has been set for another round.

The official said Washington had no plans at present to take its case to the Geneva-based World Trade Organisation (WTO), adding that "our purpose is to resolve this through dialogue with the Japanese government."

The office of the US Trade Representative in particular has faulted Japan for a lack of transparency in the approval system for new insurance products and rates.

Foreign companies complain they have been unable to determine when a 90-day approval period begins, thereby complicating their market strategies.

The agreement stipulate that Japanese insurance firms are not to become heavily involved in the third sector until foreign companies get a better shot at the first two sectors, covering life and non-life insurance.

(Clock-wise) Dutch-Bangla Bank Shareholders Shahidur Rahman, Md Abdus Salam and Shafi Rahman, Managing Director Nurul Azim Chowdhury, Chairman Mohammed Sahabuddin Ahmed, FMO representative Gerrit M Van Kampen, shareholders Nizamuddin Mahmood Selim and Abedur Rashid Khan, and Company Secretary Abul Hashem Khan, at the 3rd annual general meeting of the bank at its head office in city Thursday.

— Dutch-Bangla Bank photo

Third AGM held

Dutch-Bangla Bank makes Tk 21m profit

The third Annual General Meeting (AGM) of Dutch-Bangla Bank Limited, a joint venture banking company, was held at its head office in the city on Thursday, says a press release.

The meeting, presided over by Mohammed Sahabuddin Ahmed, Chairman of Dutch-Bangla Bank Limited, was attended by Gerrit M Van Kampen, representative of the Netherlands Development Finance Company (FMO), the Netherlands, and shareholders Abedur Rashid Khan, Nizamuddin Mahmood Selim, Shafi Rahman, Abdus Salam and Shahidur Rahman and Managing Director Nurul Azim Chowdhury.

The meeting approved the annual audited accounts of the company for the year ended December 31, 1998. While approving the auditors' report, the shareholders, especially the FMO representative expressed satisfaction over the performance of the bank during the year. The chairman thanked the FMO for their support for the bank.

The bank earned Tk 193.30 million and made a net profit of Tk 21.01 million.

At the meeting, Mohammed Sahabuddin Ahmed was re-elected Chairman of the bank for another three-year term.

Top European shipbuilder to quite business

LONDON, Apr 17: Kvaerner ASA, Europe's largest shipbuilder, will sell or close its remaining shipbuilding yards in an effort to stem losses, the Norwegian-British engineering conglomerate announced Tuesday, says AP.

The move, affecting shipyards in Scotland, Norway, Russia and the United States, is part of an overall effort to restructure Kvaerner's operations to focus mostly on engineering and construction, the company said.

In addition, Kvaerner plans later this year to dispose of non-core or money-losing operations in metals, manufacturing and pulp and paper, and to save 1 billion kroner ($129 million) in its remaining businesses by cutting overhead costs and consolidation offices.

"The plan for this 'new Kvaerner' is to create a group that is significantly smaller and much leaner, but infinitely stronger," chief executive Kjell Alamskog said in a statement.

Kvaerner posted a pretax loss of 1.35 billion kroner ($175 million) for 1998, after years of rapid expansion in shipyards, metals and construction. It did not release a figure for after-tax profit.

For 1998, the group, which employs 55,400 people in 100 countries, reported a turnover of 83.2 billion kroner ($10.8 billion) compared to 73.6 billion kroner ($9.5 billion) for 1997.

Shipbuilding has been a drain on Kvaerner's profitability, due to increased competition from low-cost producers in South Korea and Japan and to lackluster demand for new ships, said company spokesman Monty Meth.

The company will sell or shut down its biggest shipyards — Govern in Scotland, Vyborg in Russia and Kleven and Mandal in Norway — as well as smaller operations including the naval shipyard in Philadelphia. Some 1,000 workers will lose their jobs.

Govan, the largest commercial shipyard in Britain, has failed to turn a profit for most of the time since Kvaerner bought it in 1988.

US economic growth seen slowing down

WASHINGTON, Apr 17: Signs of a US economic slowdown emerged here yesterday in Federal Reserve reports that industrial production increased only 0.1 per cent in March, when industries operated at their weakest rate in seven years, reports AFP.

The manufacturing component of the industrial output index showed no gain at all last month — despite a reported easing in the Asian financial crisis.

"Although overall manufacturing growth will remain strong, today's numbers show unmistakable evidence that industrial activity is going to slow," said Gordon Richards, an economist with the National Association of Manufacturers.

While some manufacturing sectors, namely utilities and computer equipment, displayed strength, "industrial activity is converging to a slower pace."

The Fed earlier Friday said industrial output in the first three months of the year gained 0.7 per cent, down sharply from the 2.25 per cent increase posted in fourth quarter 1998.

The Federal Reserve also reported that US industries operated at 80.1 per cent of capacity, down from 80.3 per cent in February and the lowest rate since June 1992.

For David Orr, chief economist at First Union Capital Markets, the continuing slide in the capacity utilisation rate argues against any imminent Fed hike in short-term interest rates despite high levels of employment.

"It indicates substantial slack in the product market, which has offset the tightness in the labour market," he said.

"Until global overcapacity is reduced, the Fed can remain calm."

He added that the industrial output performance also suggests that "the lessening of the Asian crisis has not generated an overall upswing in manufacturing production."

The International Monetary Fund has said South Korea is now poised to recover this year, while in Thailand authorities foresee a return to positive growth.

Fed policy-makers foresee growth in 1999 of between 2.5 and three per cent after 3.9 per cent in 1998.

China faces costly tasks of economic reform: ADB

TOKYO, Apr 17: China faces a costly task reforming its economy while protecting the environment and dealing with 23 million jobless people, Asian Development Bank chief Tadao Chino said today, reports AFP.

"I think a sizeable amount of capital injection by public funds is needed," he told a seminar in Tokyo.

"This will create a financial burden for the Chinese government to secure the capital."

China must also protect the environment from the effects of economic development, he said, adding that the Manila-based Asian institution was considering a loan of one billion dollars.

The ADB supported a programme of closing insolvent financial firms, said Chino.

"There will be further integration and bank closures because there are still 210 trust banks," the ADB president said.

The ADB aimed to help Beijing preserve the environment in the face of rapid industrialisation.

"Our plan for this year includes nature preservation to minimize river pollution, city development, road and highway construction among other projects," said Chino.

"For these, we are currently discussing the provision of additional aid worth one billion dollars."

The challenges facing the Chinese authorities included the presentation of clear trade rules for investors and regulations of financial institution's chief.

"To restructure state-owned companies, they will need to improve their efficiency so as not to further worsen the current financial situation," Chino added.

"The most important point in proceeding with the restructuring of state companies is how the country can organise the excess labour force of 23 million people while maintaining a manageable social safety net for them."

"The government must consider how to create new employment opportunities," he said.

"Chinese companies will also need to push up their standard of corporate governance by introducing audit boards and a standard for information disclosure."

"China requires further development of its private sector and small-to-medium enterprises."

The ADB head said signs of stabilisation in crisis-struck countries across Asia had emerged since the second half of 1998.

"Relatively expansionist financial policies have recently been applied, and this factor has contributed to the economic recovery," he said.

The ADB forecast the overall economy of the Asian region outside Japan would expand four per cent this year.

Seven per cent growth in China and six per cent in India were "well within reach," said Chino.

"The growth rate for the region except Japan will be around five per cent next year with South Korea and the Philippines at four per cent," he added. For Thailand, Malaysia and Indonesia, he forecast two per cent growth in 2000.

80,000 MT of US food aid arrives in Russia

MOSCOW, Apr 17: The latest shipment of US food aid to Russia arrived in the Pacific port city of Vladivostok on Saturday, a news report said, according to AP.

The 80,000 metric tons of wheat was to be unloaded under the supervision of US officials the ITAR-Tass news agency reported.

The shipment is part of a $ 950 million deal that the United States and Russia agreed upon after financial crisis crippled the Russian economy in August. Also, drought last summer drastically reduced Russia's own harvest.

The aid is a mix of gifts and loans. It will be sent to Russian regions that are running low on food and can't afford many imports because of the weak rouble, which was sharply devalued during the August crisis.

The European Union and the International Federation of the Red Cross and Red Crescent, as well as several individual countries, are also distributing food aid to Russia.

Netscape, FDX strike Internet delivery deal

MEMPHIS, Apr 17: Netscape, a subsidiary of America Online Inc. and FDX corp, the parent company for Federal Express (FedEx), have reached a multi-year strategic agreement to offer businesses and consumers a convenient one-stop portfolio of delivery services on Netscape's fast-growing Internet portal, Netscape Netcentre.

FedEx will licence Custom Netcentre to create a powerful FedEx Internet package shipping portal, says a press release.

The alliance will benefit businesses and consumers by simplifying e-commerce transactions with streamlined shipping for online purchases and package status tracking.

Netscape's goal in combining its internet software and Netcentre services with FedEx corp's leading delivery services is to provide Netcentre members with easy access to advanced, reliable and affordable global package delivery.

FedEx and Netscape will offer leading-edge e-commerce solutions that provide Netcentre members to operate in global environment. This will also provide the best information and services for businesses and consumers through the Netcentre portal.

For Fedex, the agreement will showcase the strength of its leading shipping services and related information services to the millions of Internet users who visit Netcentre each day.

Consumers will have access to the delivery centre by pointing their browsers to Netcentre at http: home.netscape.com.

Japan may have to go for tax cuts: Miyazawa

TOKYO, Apr 17: Japanese finance minister Kiichi Miyazawa hinted at tax cuts today to boost investment and reduce levies imposed on asset holdings including property, a report said, says AP.

"Rather than cuts in ordinary taxes (such as income taxes), we should always keep in mind a possible need for tax reductions aimed at specific purposes such as (increasing) investment and asset values," Miyazawa was quoted as telling parliament by the Nihon Keizai Shimbun wire service.

Metal: Weekly Roundup

Copper rise continues despite strong LME reserves

LONDON, Apr 17: Copper continued to do well this week on the London Metal Exchange (LME), ignoring a strong rise in official reserves of red metal and holding on to hopes of an uptake in demand from Asia, a big consumer region for base metals.

On the LME, the three-month copper price rose 111.5 dollars during the week to 1,511.5 dollars, the highest level for more than two months. This was despite an increase of 22,875 tonnes to 741,350 tonnes of official reserves.

The price of copper also benefited from expectations of reduction in output from North America.

The metal has enjoyed trading interest for the past two weeks amid signs that the troubled global economy has now stabilised.

LEAD: Good. Lead has progressed this week on the London Metal Exchange (LME), in the slipstream of copper and aluminium.

On the LME, the three-month lead price rose 34 dollars to 553 dollars per tonne.

This was despite an increase in LME stocks, which grow by 1,075 tonnes to 103,525 tonnes.

ZINC: Healthy. The price of zinc climbed this week on the London Metal Exchange (LME), helped by news that China's major producer is to reduce production. Three-month prices rose by 52.5 dollars to 1,034.5 dollars per tonne.

Official reserves rose by 7,200 tonnes to 318,925 tonnes.

China's biggest Zinc producer is hesitating over whether or not to reopen one of its factory's that was closed last week because of financial problems.

Zinc prices also gained from hopes that demand in Asia would pick up over the long-term, said traders.

GOLD: Stable. The gold spot price rose on technical trades this week, but traders remained cautious amid fears of widespread selling of metal by central banks in Europe.

On the London Bullion Market, cash prices rose to 283.95 dollars an ounce from 279.95 dollars.

SILVER: Tarnished. Silver cash prices fell slightly this week on the international markets, having failed to broach the all important five dollar per ounce mark.

On the London Bullion Market, an ounce of silver finished the week at 4.52 dollars from 4.97 dollars.

PLATINUM AND PALLADIUM: Strong. Both metals enjoyed a successful week, continuing to benefit from the precarious financial climate in Russia and from tensions between Russia and the United States over Kosovo.

Russia is the world's biggest palladium producer and the largest producer of platinum after South Africa.

On the London Palladium and Paltinum Market, the price per ounce of palladium rose by five dollars to 368 dollars and platinum rose by 2.75 dollars to 360 dollars an ounce.

ALUMINIUM: Shine. Aluminium rose this week on the London Metal Exchange (LME), on the coat tails of copper and the latest stock figures given by the International Primary Aluminium Institute (IPAI).

On the LME, the three-month aluminium price rose by 72 dollars to 1,300 dollars per tonne, helped by a fall in official reserves of 15,375 tonnes to 815,200 tonnes.

According to the latest IPAI figures, the world's primary aluminium stocks fell by 2.8 per cent in February to 3.089 million tonnes from 3.179 million tonnes in January.

Aluminium prices were also supported by expectations of increased demand in China because of an improvement in weather conditions which was thought likely to increase activity in the construction sector.

NICKEL: Bright. The price of nickel rose this week on the London Metal Exchange (LME), following the trend set by other base metals.

On the LME, the three-month nickel price rose by 280 dollars to 5,190 dollars per tonne.

Market reserves fell by 480 tonnes to 61,212 tonnes.

TIN: Glitter. The price of tin rose this week on the London Metal Exchange (LME), in line with the other base metals and despite a mild increase in reserves.

Three-month tin prices shot up by 110 dollars to 5,430 dollars per tonne.

The market brushed aside a rise in official reserves of just 10 tonnes to 9,250 tonnes.

White House unveils power market deregulation plan

WASHINGTON, Apr 17: The Clinton administration unveiled yesterday its latest legislative plan to deregulate the nation's electricity markets and allow consumers to choose their power suppliers by 2003, reports Reuters.

The White House proposal would save consumers $20 billion a year, equal to $232 in saving for the average family from cheaper electricity bills and the reduced cost for goods and services, said US Energy Secretary Bill Richardson.

The administration's proposal comes as almost two dozen states have already acted to open their electricity markets to competition.

States such as California, which deregulated its power market last year, would be able to opt out of the White House plan if they feel residents would benefit more under local efforts.

"States are leading the way, but it is a fact that federal action is vital to the success of these restructuring programmes," Richardson said. "Competition won't reach its potential without comprehensive federal electricity restructuring legislation."

The White House legislation was immediately sent to Congress, which Richardson said the hopes will pass the deregulation bill this year.

The administration failed to gather enough support from the last Congress for its initial deregulation legislation.

This time around, the White House hopes to win more support by changing its plan to allow Native Americans and others living in rural areas to benefit from a deregulated market.

While consumers would enjoy lower electricity prices, there is nothing in the administration's bill that guarantees utilities would be able to recover the billions of dollars they have spent on big investment projects like nuclear power plant.

Instead, it would be left up to states to decide if such "stranded costs" incurred by utilities could be recovered and how. Many utilities want to add a surcharge to consumer bills to help pay off the nuclear power plants that were built with the approval of state officials when markets were regulated.

The Edison Electric Institute, the lobbying arm of investor-owned utilities, criticise the plan for allowing the Tennesses Valley Authority TVA to recover its stranded costs, but leaving utilities out in the cold.

"While we are pleased that the bill recognises the need for stranded-cost recovery for TVA, we also believe it should have the same kind of strong cost-recovery provisions for electric utilities that pay federal income tax," the EEI said.

The TVA, a federal corporation created during the depression as part of the New Deal, also would be to sell electricity outside its region, which includes most of Tennessee and parts of six neighbouring states. The Knoxville-Tenn-based TVA is the largest US electricity generator.

The plan also would give the Federal Energy Regulatory Commission broad new powers to police the electricity market and would create a panel to prevent any major power outages.

"As the nation becomes increasingly reliant on computers and other electronic innovations, major power outages have wreaked havoc on businesses and home," the administration's plan said.

A $3 billion fund also would be created to help pay the energy bills of low-income families.

To spur the growth of solar, wind and geothermal energy, the White House plan would require 7.5 per cent of the electricity produced to come from renewable sources by 2010. Currently, renewable sources account for about one per cent of the nation's fuel mix.

Singapore may resume pig imports

SINGAPORE, Apr 17: Singapore is likely to resume the import of live pigs from Indonesia by the end of April, government-controlled television reported Friday, reports AP.

Following an outbreak of viral brain inflammation that killed more than 100 people in neighbouring Malaysia and one person in Singapore, the city-state banned all live pigs on March 19 and also closed its two slaughterhouses. The disease is thought to be transmitted through close contact with infected pigs.

The first live pigs to return to Singapore will arrive from the nearby Indonesian island of Pulau Bulan, where no disease has been found so far.