

Business Briefs

SIA tests Y2K

backup in HK

SINGAPORE: Singapore Airlines' backup systems against the dreaded Year 2000 computer bug performed well in tests, causing only minor delays for passengers, an airline official said Friday.

The airline checked in passengers on five flights at Hong Kong's new Chek Lap Kok airport on Thursday without using the regular computer system, Singapore Airlines spokesman S Supramaniam told The Associated Press.

One flight was delayed by 15 minutes, but otherwise the trials went smoothly, he said.

The airline has also been testing its Y2K backup systems for check-ins and baggage handling at Singapore's Changi Airport five times a week since March, Supramaniam added.

There have been flight delays, but nothing worrisome, he said.

There are fears that computers around the world could crash at midnight on Dec. 31, 1999, because many are programmed to recognise only two digits when counting years, causing chaos as computers mistake 00 for 1900, not 2000.

Singapore has been at the forefront of testing banks and other crucial institutions against potential Y2K problems.

Supachai criticised on WTO candidacy

BANGKOK: Thailand's newest political party has criticised Commerce Minister Supachai Panitchpakdi for neglecting his duties at home by concentrating too much on campaigning to head the World Trade Organisation.

"Supachai should focus more on the country's exports, instead of trying to export himself to be WTO director," Kantathi Supamongkon, spokesman for the Thai Rak Thai (Thai Loves Thai) party, said on Friday.

Exports have traditionally led Thailand's economic growth, but growth rates have fallen in recent years.

Supachai is engaged in a bitter battle with former New Zealand Prime Minister Mike Moore to become the director general of the WTO. Moore claims to have the support of at least 80 of the 134 member countries. The WTO decides by consensus.

Supachai, who has refused to pull out, has complained the process has not been transparent and that the United States, which backs Moore, has used unfair tactics against him.

Thai Rak Thai is a new party founded by Thaksin Shinawatra, a telecommunications tycoon and former Cabinet minister. Analysts expect the party will mount a strong challenge to the ruling Democrats, of which Supachai is a member, in some areas during a general election next year.

Similar criticisms of Supachai were voiced recently by executives of Thailand's food exporting associations, who charged that the commerce minister didn't fight to extend European trade privileges for Thai food and agricultural products because it would have hurt his chances in the WTO race.

Perusahaan net profit plunges

KUALA LUMPUR: Malaysia's national carmaker Perusahaan Otomobil Nasional Bhd. said net profit for the year ending March 31 fell sharply to 66.8 million ringgit (\$18 million) from last year's 440.6 million ringgit (\$116 million).

But the results were far above market expectations of losses of as much as 300 million ringgit (\$80 million).

Analysts expressed surprise at the results, many having predicted earnings at the carmaker, widely known as Proton, would slip into the red following a dramatic drop in car sales last year.

The company said in announcing the results late Thursday that the current financial year would be "challenging" due to the need to invest in new products but it would "work towards improving the performance."

On the downside, the Malaysian Motor Traders Association reported Thursday that total passenger car sales in the country fell to 17,339 vehicles in May from 19,517 the month before. Proton car sales fell to 7,631, down from 9,320 in April.

The association did not explain the reason for May's decline in vehicle sales.

Boeing for review of PAL rehabilitation

MANILA: US aircraft maker Boeing Co. wants a review of Philippine Airlines' rehabilitation plan, saying its claim of \$128.5 million was not addressed in the recovery programme.

In a petition Thursday to Manila's Securities and Exchange Commission, Boeing said PAL's rehabilitation plan makes no provision for settling the cancellation of an order for eight 747-400 jets.

The eight jets were part of an order of 12 Boeing 747-400s placed by PAL — along with an order for 24 Airbus jets — under a \$4 billion fleet modernisation programme.

PAL bought only four Boeing jets, which are used on its long-haul flights, and cancelled the eight others because of financial problems.

Boeing contends PAL breached the purchase agreement. The \$128.5 million claim covers the cancellation of the eight jets.

PAL's recovery plan provides that claims similar to Boeing's will be written off.

— AP reports

The Daily Star
BUSINESS

Cost of debacle heading toward \$1b

Belgium to give aid to dioxin-hit businesses

BRUSSELS, June 26: The Belgian government said yesterday it would grant emergency aid to farmers and businesses hit by the country's dioxin-food crisis, says Reuters.

The cost of the debacle has been heading toward the \$1 billion mark, with many farmers fearing bankruptcy if the government does not move quickly to yet be formed.

The measures are subject to approval by the European Commission and the Belgian cabinet.

The government said it would pay the full cost of slaughtering and destroying contaminated livestock and destroying other contaminated food products.

Farmers will be offered five-year, interest-free loans based on their production costs.

Other businesses will also be entitled to the interest-free loans, even if they have already obtained provisional court protection from creditors.

The government said in a statement the measures were the first step in helping businesses stricken by the crisis.

This definitive ruling should, in fact, be decided by the

next government," the federal information service said in its statement. The coalition government of prime Minister Jean-Luc Dehaene was defeated in the June 13 general election, and a new government has not yet been formed.

The measures are subject to approval by the European Commission and the Belgian cabinet.

Farmers welcomed the aid, but said they still faced crippling losses and feared it would take the sector many years to recover from the blow to its image.

The discovery that animal feed was contaminated with the cancer-causing chemical dioxin caused Belgian products to be banned from countries around the world.

Although export restrictions have been lifted, the damage to the reputation of Belgian foods lingers on.

Exports account for 40-50 per cent of turnover among Belgian food producers, who employ a total workforce of

86,000. Whether it comes from Flanders or Wallonia, no one wants to buy Belgian food," said Raf Bombeek of the Boerenbond.

"I think we're in the same situation as our English farmers with the mad cow disease," said Saenen. "It will take a long time, but like the British beef (Belgian products) will never again have the same reputation.

"We are afraid farmers will disappear," he added.

Bombeek of the Boerenbond said many farmers are near bankruptcy, with Flemish farmers the hardest hit because 90 per cent of the country's pigs and poultry are in Flanders.

Although Belgian products are back in shops on the domestic market, Bombeek said sales were not benefiting farmers.

"The problem is there is a lot of meat in storage," he said. "The abattoirs say, 'We don't know what will happen so we don't want to slaughter,' choosing to rely instead on the meat in storage.

Bombeek said the new Hollywood blockbuster, Star Wars, on Friday, Hong Kong's retail sales slumped 10 per cent year-on-year in April to 1.9 billion USD as recession kept consumer spending down.

(S1 = 38.54 Belgian Franc)

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US rules on food, medicine sales to 3 states soon

WASHINGTON, June 26: The US will publish rules governing the sale of food and medicine to Iran, Sudan and Libya soon, a top US Agriculture Department official said yesterday, reports Reuters.

"We're getting pretty close," Chris Goldthwait, General Sales Manager at the department, told Reuters, noting that there were only one or two details that need to be finalised.

"That should be worked out in the next few days," he said.

Farmers have been anxiously awaiting the publication of the rules since the Administration announced in late April that it would change its sanctions policy to allow the sale of food and medicine to the three countries.

US grain groups had been lobbying the White House to ease sanctions on sales to the countries in an effort to boost lackluster farm exports and decrease a huge surplus at home. But any sales have to wait until the rules for the sanctions reform are released.

State Department officials have said that the rules should come out by the end of the month.

Goldthwait said that the use of US export credits will not be allowed for any food purchases at first, but noted that credits may be opened up to the countries later on.

Sri Lankan gems enter Madagascar

COLOMBO, June 26: More than 100 Sri Lankan businessmen have entered the gem market in Madagascar following a successful business visit by an official delegation, informed sources here said today, reports Xinhua.

Sri Lankans have out-numbered Thai gem businessmen who dominated the Madagascar gem industry. Sri Lankan National Gem and Jewelry Authority Chairman R. Dharmarathne was quoted as saying.

Dharmarathne led a 19-member gem and jewelry trade delegation to Madagascar recently to explore business possibilities there.

He told the sources that the country is contemplating establishing diplomatic relations with Madagascar to further develop gem business.

When they visited Madagascar, senior government officials of Madagascar offered an opportunity for Sri Lankan gem industrialists to involve in large-scale gem mining and exports while developing infrastructure facilities there, the sources said.

They added that the Madagascar government is keen on doing gem and jewelry business with the Sri Lankan government.

Wall Street closes week lower

NEW YORK, June 26: Wall Street this week shed some of the gains it made a week before, as investors continued to bide their time waiting for the Federal Reserve's June 30 move on interest rates, reports AFP.

The Dow Jones Industrial average shed 2.79 per cent at 10,552.56 points after a week of losing sessions except for Friday's.

The tech-heavy Nasdaq slid 0.42 per cent at 2,552.65 points, and the Standard & Poor's 500 fell 2.05 per cent at 1,315.31 points.

The bond market also took a hit this week with the average yield on bellwether 30-year Treasury bonds closing Friday at 6.151 per cent against 5.971 per cent a week ago. Yield moves inversely to price.

Most traders are convinced the Federal Reserve will raise its daily, interbanking interest rate when its monetary policy committee next meets June 30 and 30, but the scope of the increase is still a matter of speculation.

"Such a flu shot is now widely expected and would be unlikely to unsettle investors beyond a transitory period," said Abby Joseph Cohen, with Goldman Sachs.

The "flu shot" is expected to be in the order of a quarter point to raise the rate to five per cent, but several analysts expect another rate hike in August.

Harare to sell out 50 state cos in 2 years

HARARE, June 26: Zimbabwe will complete its privatisation programme by privatising about 50 public enterprises within two years, says Xinhua.

Cephas Msipa, Minister of State for Enterprises and Industrialisation, said Friday at the 27th Zimbabwe National Chamber of Commerce annual congress, "the speed at which the enterprises would be privatised will largely depend on how quickly we get recommendations from the companies and approval from the government."

The minister was quoted Saturday by the Herald Daily as saying that the privatisation process would be carried out in view of the current economic environment.

At the moment indigenous people cannot afford to raise the money required to acquire companies that are being privatised because of punitive interest rates and other economic factors.

The government has been criticised for slowing down the privatisation exercise, which started about two years ago.

Critics on controversial loan to China

WB supports 'cultural genocide'

WASHINGTON, June 26: The World Bank hoped it could put its worst public relations nightmare in years behind it yesterday as criticism of a controversial loan it approved on Thursday for China was unabated, reports Reuters.

Tibetan activists and a US senator said the \$160 million loan, to be used in part to resettle 58,000 poor Chinese farmers to an area which was the birthplace of the Dalai Lama, Tibet's spiritual leader, supported "cultural genocide."

The decision by the World Bank to support China's anti-Tibetan policies is disgraceful," said Senator Connie Mack, a Florida Republican. "I find it unconscionable that World Bank President James Wolfensohn would support this appalling act of cultural genocide."

The \$160 million loan was approved against the vote of two of the bank's largest shareholders — the United States and Germany. A late compromise meant none of the contentious resettlement funds would be disbursed until an inspection panel reviewed whether an investigation was needed into whether the bank broke its own rules in considering the loan.

Sources within the bank

said if the panel recommends a full-blown investigation "heads would roll" at the bank.

Critics claimed the bank broke its rules on resettlement and the environment by not completing a six-month environmental review or consulting local residents. The bank, they said, also failed to disclose loan information in a timely fashion.

Tibetan activists said China's assurance of access to the project and local people was worthless.

"It has been proven in the past that China always says these things, but when it comes to letting local people talk about issues it never happens," said Tse Ring Dhundup, who arrived in the United States this month from the Qinghai province, where the resettlement is planned.

Dhundup joined about 50 protesters outside the bank's Washington headquarters by Students for a Free Tibet. The group briefly erected a banner which read, "World Bank Approves China's Genocide in Tibet."

One source inside the bank's 24-member board, which was more divided on the project than on any other in recent memory, said board members were taken aback by China's acceptance of an inspection panel review.

The debate split the board almost in half and saw the United States and China lobby hard on either side of the decision. Indeed, the loan was so contentious within the bank that Wolfensohn sought outside legal counsel on the issue.

Instead, the borrowers form a clu and each member vouches for the other. Small loans must be reimbursed within a fixed time frame, and the members pay the debt of anyone who defaults.

Governments and agencies at last year's first ever Micro Credit Summit pledged to raise \$21.6 billion by 2005 to provide loans to 100 million of the world's poorest people.

McLaughlin praised the Washington-based World Bank, one of the traditional lenders of last resort to the developing world, for widening its mandate to fund social programmes run by nongovernmental organisations.

Micro-finance works on a co-operative, or fiscal pooling, principle but does not use a borrower's collateral as security against the loan because in many cases they have no assets.

Micro-finance is a new cultural concept for a lot of countries but it's something that's definitely helping women," said McLaughlin.

SG and Paribas had complained to the stock market authority, the COB, about a claim by BNP that many investors supported its bid.

An SG spokesman said that the Trichet plan involved a three-way link-up, but different from the takeover of SG and Paribas proposed by BNP which would create the biggest bank in the world.

BNP launched its hostile bid after SG had made a friendly offer to acquire Paribas.

Foreign investors own nearly half of each of the three banks.

On Thursday, Trichet and Finance Minister Dominique Strauss-Kahn warned that the three banks had to drop their takeover battle and agree a compromise in the national interest.

They ruled out any foreign "white knights."

But the banks have maintained their basic positions and bids, and have attacked the au-

thorities for intervening. And on Friday they even exchanged accusations in public.

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