US House votes to double president's salary

WASHINGTON, July 16: The US House of Representatives voted yesterday to double the next president's salary while giving its own members a more modest cost-of-living raise, reports Reuters.

The measure, passed on a vote of 334-82, would give President Bill Clinton's successor a $400,000 salary, up from the $200,000 annual pay the nation's chief executive has drawn since Richard Nixon took office 30 years ago.

"The president of the United States has arguably the most difficult job on this planet and we don't want that individual to be worried about pinching pennies," said Representative Tom Davis, a Virginia Republican.

The Senate has taken comparable action on a congressional pay raise, but has not proposed a presidential increase.

A small group of House Republicans tried to block the presidential raise, arguing that chief executives were amply compensated with perks such as luxurious White House accommodations, a generous pension, and enormous earning potential on the speaking circuit when they are out of office.

But other lawmakers said the president's pay was disproportionately low, and in a few years salaries of the vice president, the Supreme Court chief justice, and House speaker could outpace it.

The US Constitution bars raising the pay of a sitting president. With 2000 presidential elections looming, some lawmakers said this year was the last chance until 2005 to put the chief executive's salary more in line with other government salaries and with presidents of other nations.

Macao Telecom Co ready for Y2K glitch

MACAO, July 16: The Macao Telecommunications Company (CTM) announced today that its major computer systems are ready for the year 2000 with no trouble of the millennium bug, says Xinhua.

As early as in January 1997, CTM had formed a Steering Committee consisting of senior managers of various departments of the company to supervise the progress of addressing the so-called Y2K problem.

And then CTM worked out a detailed plan and started actions in five areas: computer hardware and software, network equipment and interfaces, customer equipment, products and services, and supplier management.

Among the tasks, supplier management requires that the company's purchasing department has to ensure that all current and future purchased products and services will be able to go through the year 2000 smoothly.

Up to now, CTM has managed to replace, upgrade or convert most of its computer systems which are proven to get ready for the new millennium.

US Exim Bank vacancies alarm senators

WASHINGTON, July 16: Members of the senate Banking Committee said yesterday they were worried the US Export-Import Bank many be unable to approve billions of dollars in export credits because of vacancies on its board of directors, says Reuters.

In a letter to President Bill Clinton, three Senate Banking Committee members urged him to move quickly to fill the vacancies so the board would be able to conduct business.

Board member Maria Haley is set to depart her post on July 20, leaving only two members serving on what is supposed to be a five-member board. The board needs at least three members in order to conduct business and, as a result, some large transactions may have to be deferred.

"If the bank is forced to suspend action, some $7.5 billion in US exports could be put in jeopardy," said Republican Sens. Michael Enzi of Wyoming and Chuck Hagel of Nebraska and Democratic Sen. Tim Johnson of South Dakota in their letter.

Large transactions have to be approved by the board, but a bank spokesman said the bank will be able to conduct most of its business as usual even though the board lacks a quorum. Only large export credit requests have to be approved by the board, while the majority of requests can be approved at the staff level, spokesman Ken Murphy said.

Macedonia needs quick steps to fight joblessness

SKOPJE, Macedonia, July 16: Macedonia needs quick measures to fight rising unemployment, which reached 40 per cent after the Kosovo crisis, the United Nations Development Programme (UNDP) said Yesterday, reports Reuters.

"The will have to do some things quickly to generate employment," UNDP Administrator Mark Malloch Brown told Reuters television.

Malloch Brown said during a visit to the impoverished Balkan country that the 11-week NATO air campaign against Yugoslavia struck a blow to Macedonia as it was struggling to change to a market economy.

Next world trade talks begin later this year

Australia for major changes in US sugar programme

WASHINGTON, July 16: Australia will seek major changes in the controversial US sugar programme in the next round of world trade talks that begin later this year, an Australian Embassy aide said yesterday, reports Reuters.

"Sugar will be a negotiating priority for Australia," Mike Ford, first secretary for trade at the embassy, told an industry meeting. "It is the big omission from reform in the last round" of talks that ended in 1994, he said.

The United States protects its sugar producers through a "tariff-rate quota" (TRQ) that restricts imports.

Australia holds the fourth largest share of the quota, which has declined steadily in recent years because of increased US production.

In the 1999-2000 marketing year, which begins Oct. 1, the United States could set the TRQ at just 1.256 million short tons raw value (1.139 million metric tons), the lowest level allowed under the 1994 world trade pact.

Some 40 countries hold a share of the quota, based on the amount they exported to the United States from 1975 to 1981. Many poor Latin American and African countries depend on the quota to earn hard currency. They support restrictions that prevent larger countries, like Australia, from getting a bigger share.

US sugar producers argue import protections are necessary to keep highly subsidised exports from the European Union and other countries from depressing US prices.

But Ford said "It would be more cost effective for the US government to provide direct payments to US sugar growers and to withdraw from the business of managing the sugar market."

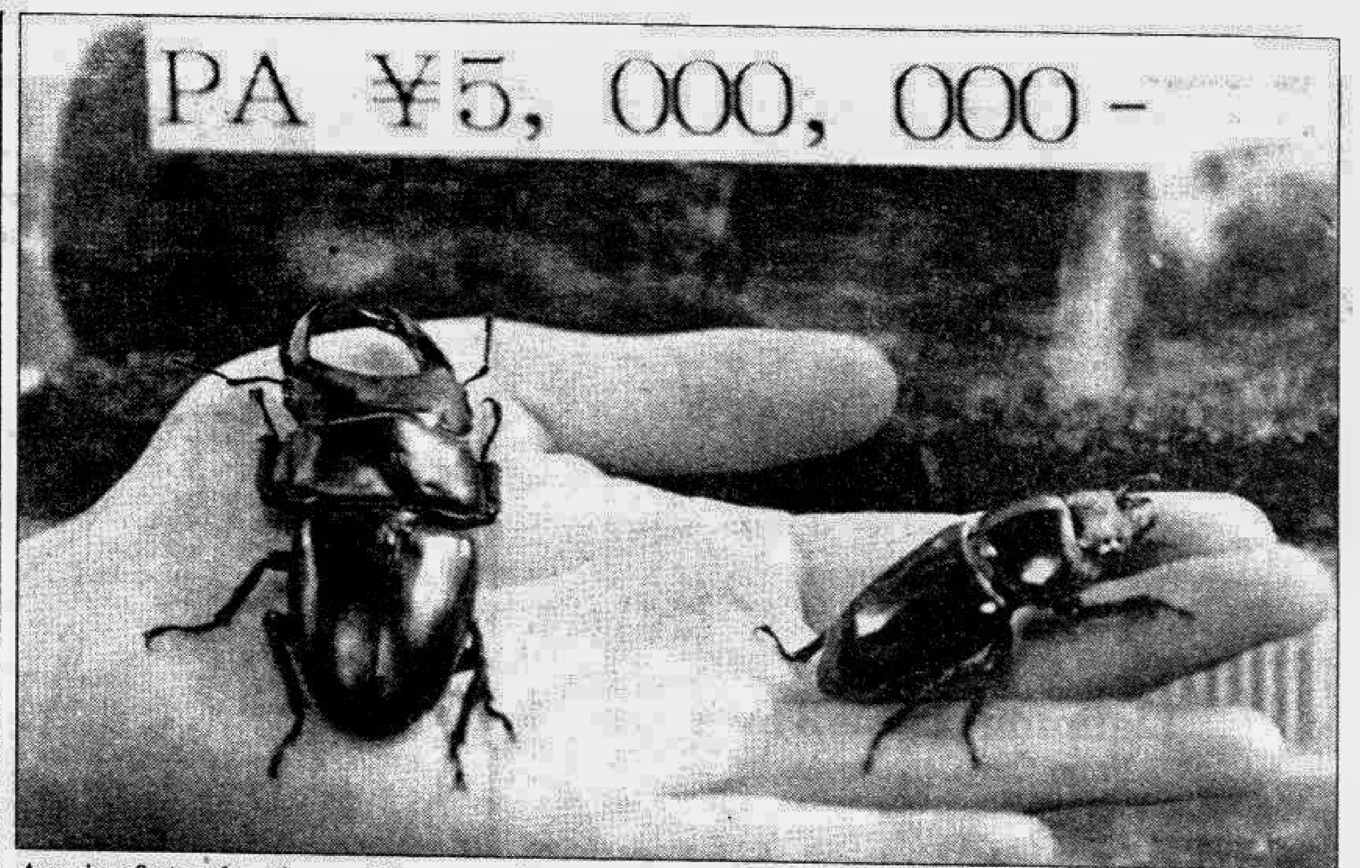
The quota regime boosted the price that US consumers paid for sugar by more than $400 million this year, he said.

The US sugar programme also has many domestic foes. Cane refiners would like access to more raw product. Candy and food manufacturers would like to pay lower prices for sugar.

Adrienne Alwin, manager of M&M/Mars' sweetener division, complained on Thursday that the Agriculture Department operates the quota programme "in an unnecessarily restrictive manner."

She urged the department to set the 1999/2000 quota at 1.80 million short tons (1.63 million metric tons) and eliminate restrictions on when suppliers can ship their quota share.

Meanwhile, congressional opponents of the sugar programme could soon have new ammunition to seek reforms.



A pair of stag beetles, a 77 mm-male (L) and a 51 mm-female (R), displayed at a Tokyo insect shop on Friday.The pair, grown from natural grubs, is on sale with a price of five million yen (41,667 USD). — AFP photo

Zero inflation eases US rate hike fears

WASHINGTON, July 16: Inflation was absent from the US economy in June for the second straight month, a surprisingly favourable performance that soothed fears of rises in interest rates by the Federal Reserve, reports Reuters.

The Labour Department said yesterday the Consumer Price Index, the main US inflation gauge, was unchanged in June and May. The last time the CPI failed to rise for two months in a row or more was in February to April of 1986, when inflation was held down by falling energy prices.

"This is good news that inflation is dormant, and there is no sign that it's set to accelerate anytime soon," said Mark Zandi, chief economist at Regional Financial Associates in west Chester, Pa. "It takes pressure off the Fed to tighten monetary policy."

Zandi and other economists said the data reduced the likelihood of any increase in interest rates at the US central bank's next meeting on Aug. 24, although it did not completely take the idea of rate increases off the table.

"The Fed is focused not just on what inflation is today but what it might look like six months now," Zandi said.

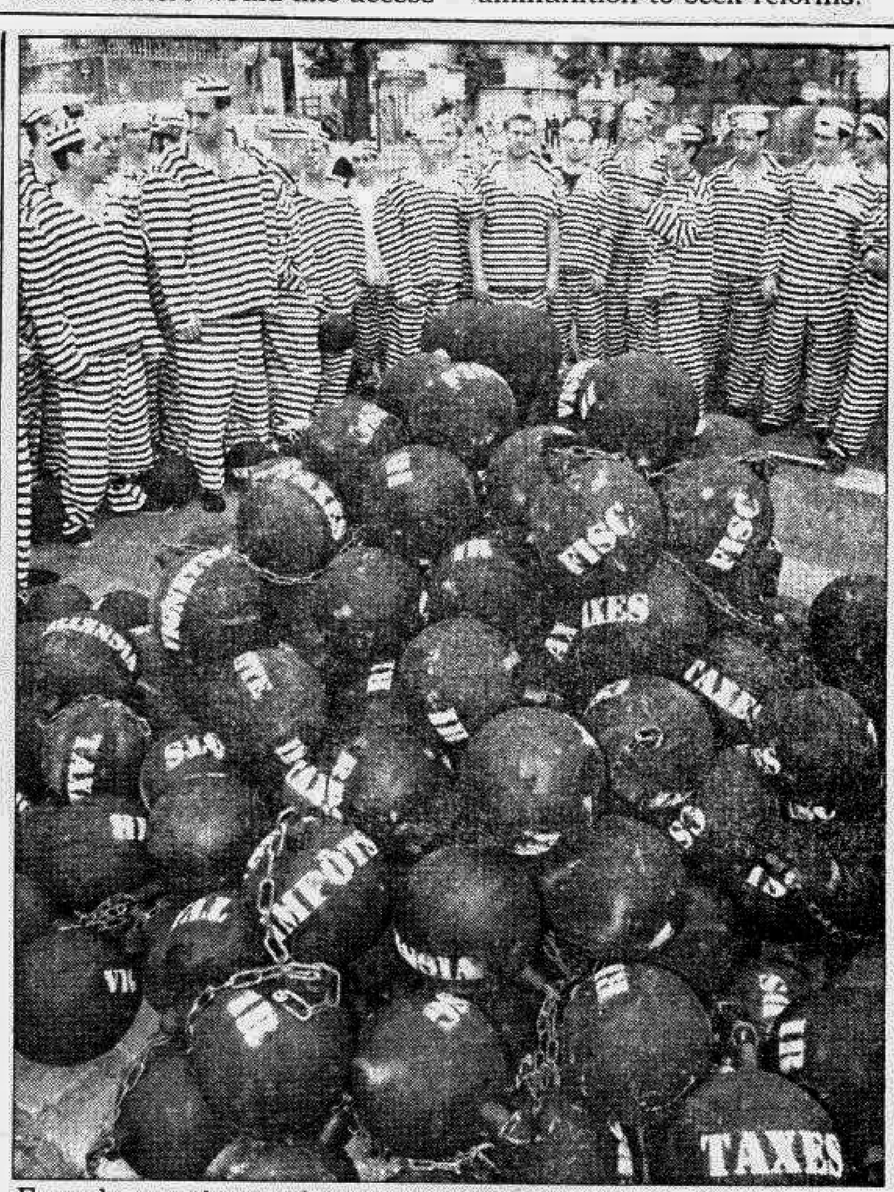
US stock and bond prices initially rose on the CPI news but later shed some gains and Treasuries even turned lower US Treasuries were dragged down as weakness in the German bond market spilled over to fixed-income markets in the Untied States.

Stripping out the volatile food and energy components, the core CPI rose in June by a scant 0.1 per cent US economists in a Reuters survey had forecast a 0.1 per cent increase in the overall CPI and a 0.2 per cent gain in the core index.

A 0.1 per cent drop in car prices, a 4.8 per cent plunge in airline fares and a 1.2 decline in energy costs helped put a damper on inflation in June.

The unexpectedly benign inflation report comes just two months after the April reading on the CPI — showing a large 0.7 per cent jump in the index — set off alarm bells on Wall Street and at the Fed about potentially rising inflation. But the unchanged May reading indicated that April was largely a fluke fuelled by one-time jumps in costs for such items as oil and clothing.

The Federal Reserve on June 30 bumped the key federal funds rate a quarter percentage point higher in a bid to curb robust growth in the economy.



French members of a taxpayers' association disguised as convicts surround balls and chains, which symbolise the fiscal weight of the state, in front of the finance ministry in Paris on Friday. — AFP photo

'Dollarisation to help LatAm states raise living standards'

WASHINGTON, July 16: US Republican Senator Connie Mack said yesterday allowing Latin American countries to adopt the US dollar as their official currency would help stabilise prices and raise living standards, reports Reuters.

Mack, chairman of the Joint Economic Committee, said dollarisation would "import" the credibility of the US Federal Reserve Bank to Latin American countries.

"Dollarisation offers countries long-term price stability — a key ingredient to raising living standards," Mack said. "With the Federal Reserve focused on price stability, emerging markets can import credibility into their financial markets by eliminating their currencies and allowing the dollar to circulate freely."

Mack said dollarisation would not make the Fed a lender of last resort for Latin American countries nor would it detract the central bank from its goal of US price stability.

That sentiment was echoed by those testifying on Thursday at a joint hearing of the subcommittees on economic policy and international trade and finance chaired by Mack.

Manuel Hinds, a former minister of finance of El Salvador, which along with Argentina is considering adopting the dollar, said the move would benefit those adopting the dollar as well as the United States.

Hinds said fluctuating currencies and fears of devaluation cause high interest rates and limit long-term debt availability, making it difficult for businesses to plan ahead.

"Dollarisation would remove one of the most daunting obstacles for the development of Latin American economies — their protracted instability and propensity to exchange rate fluctuations," Hinds said.

He said the United States would benefit through reduced political and financial instability and by lower business transaction costs. He said the process would cost the United States nothing but technical assistance.

The committee also heard from two Wall Street economists who spoke about the benefits of dollarisation.

But Liliana Rojas-Suarez, chief economist for Latin America at Deutsche Bank Securities in New York, warned of the risks of "jumping" into dollarisation.

Rojas-Suarez said while the idea made sense in the long-run, short-term problems could arise. She said flexible exchange rates better equip countries to deal with large external shocks and many countries underestimate the need for economic improvements,

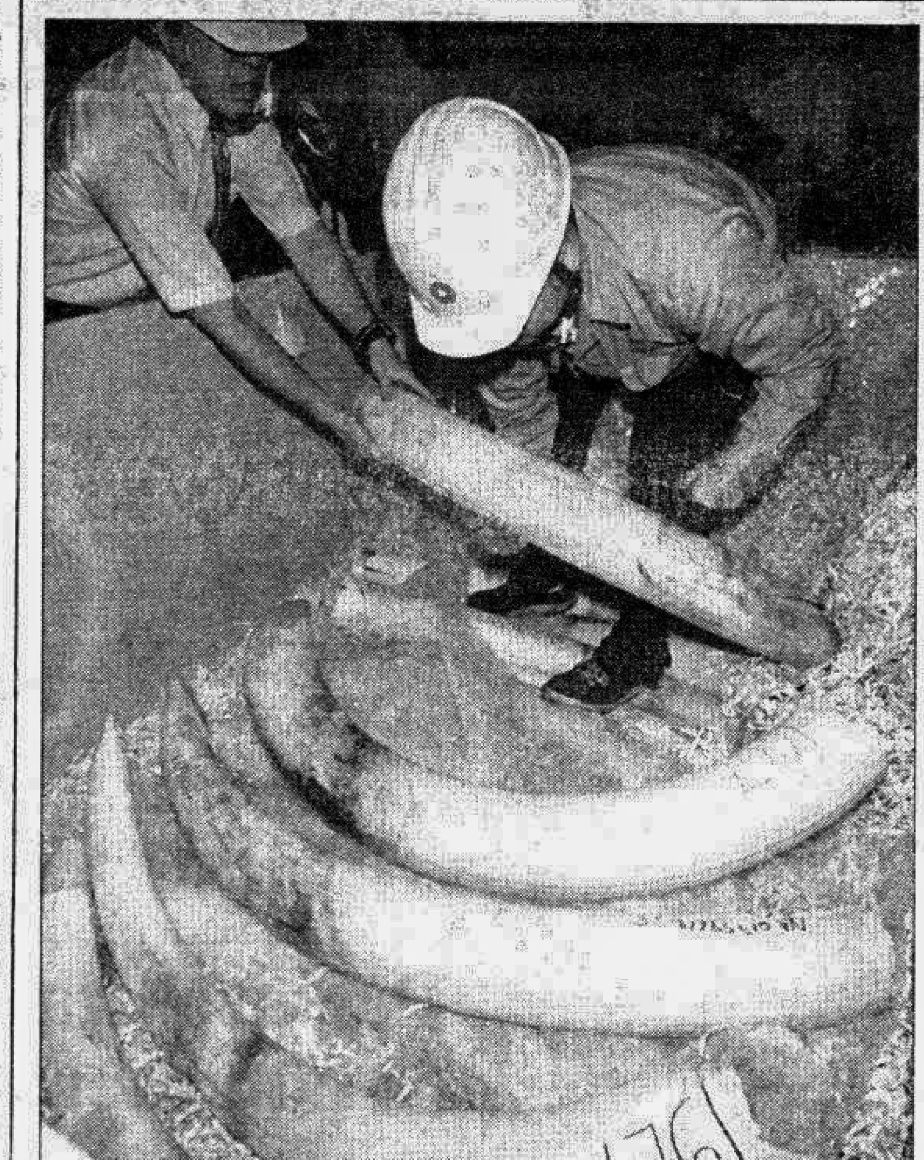
Other countries discussing adopting the dollar include Mexico, Guatemala, Ecuador and Costa Rica. In many Latin American countries people, fearful of local currency devaluations, save in dollars.

Intel profits jump 49pc

SAN JOSE (California), July 16: Intel Corp, the world's largest maker of microprocessor chips, reported Tuesday that its second-quarter profit rose 49 per cent, but the results failed to meet Wall Street expectations amid a shift in company sales to less expensive computer chips, reports AP.

Intel said it earned $1.75 billion, or 51 cents a share, two cents below Wall Street expectations. That compared to a profit of $1.17 billion, or 33 cents a share, in the second quarter of 1998.

Revenue rose 14 per cent to $6.75 billion from $5.93 billion.



Customs officials inspect some 50 tonnes of ivory tusks which arrived from Africa on Friday in Tokyo on a one-off deal exempted from a decade-old international ban on ivory trading. — AFP photo

Bid to raise exports, lure investors

China to ease controls on foreign companies

BEIJING, July 16: China plans to relax controls on foreign firms further to boost exports and attract foreign investment, state media reported today, says Reuters.

The measures, drafted by the State Administration for Foreign Exchange (SAFE), would include the removal of a ban on foreign companies using funds as time deposits in their foreign exchange settlement accounts, the Financial News said.

The ban enables Chinese banks to avoid paying high interest rates on time deposits by foreign-invested firms in China, analysts say.

The newspaper said China also planned to cut red tape on the purchase of hard currencies by foreign companies for importing technology.

China would simplify procedures for screening the buying and selling of foreign currency and fund settlements by foreign firms, it said without elaborating.

China's Foreign Trade Ministry and SAFE had "decided to strengthen coordination and jointly adopt strong measures to boost imports and exports and encourage to attract foreign investment," the newspaper said.

China has relaxed controls on local currency loans for foreign-invested firms.

Starting on July 15, the central bank would no longer require foreign firms to provide information on debts or security when seeking loans from domestic banks if backed by a foreign exchange guarantee, the Financial News reported earlier this month.

The central bank would no longer set credit ratings on foreign banks acting as guarantors of loans for foreign-funded firms, it said. Domestic banks would conduct independent risk-assessments of their clients.

Foreign firms would be barred from using yuan loans to buy foreign exchange, but would be allowed to use them for working capital or for investment in fixed assets, it said.

The maturity of such loans would be extended to five years, it said without elaborating.

Foreign-funds firms have been playing an increasingly important role in China's foreign trade, accounting for roughly half of its exports.

The Financial News quoted Premier Zhu Rongji on Friday as saying China should expand exports "by all means" this year and "utilise foreign capital actively and effectively".

Recession forcing Japanese to steal toilet paper?

TOKYO, July 16: The Japanese economy is facing its toughest recession in decades and a record number of people are out of work. But are times so hard that folks are stealing toilet paper?

Yao City Hall officials are wondering just that after a plague of vanishing toilet paper rolls forced them to take extreme measures: literally bolting down the precious paper with little padlocks.

Officials aren't sure how many rolls disappeared, but the problem peaked last fall when people complained they went to city hall bathrooms only to find — surprise! — all the toilet paper was gone.

"If you get into the toilet and there's no paper, it's a problem," said Yasuo Uehara, of the general affairs department at city hall, near the western city of Osaka.

Uehara said officials last October decided to put little locks on the stall dispensers, which hold spare rolls.

He shied away from blaming the problem directly on thieves, saying pranksters who stuffed the bowls with toilet paper were more of a threat.

But the national Mainichi newspaper on Friday quoted city hall cleaning workers as saying they'd seen people take several rolls with them when leaving the bathroom.

Oil buoyant following profit-taking pause

LONDON, July 16: World oil prices stayed buoyant yesterday despite speculators pocketing some profits from a sizzling rally that has taken crude to 20-month highs, reports Reuters.

International marker Brent crude settled 31 cents stronger at [illegible] Wednesday's 20-month peak of $19.43.

Brent drew much of its strength from late gains in US crudes in New York, where values were boosted by shifts in oil related derivatives markets.

Nevertheless dealers said the market had clearly shaken off a brief bout of gloom inspired by government data showing a 800,000 barrel rise in US crude stockpiles.

The bearish US Department of Energy data contradicted earlier figures from the American Petroleum Institute showing a 2.6 million decline in crude stocks.

The discrepancy had been enough to prompt some traders to cash in gains of almost $2 made in the last two weeks alone, pushing Brent at one point to a session low of $18.47.

But market prospects continue to look distinctly bullish amid tight production discipline from OPEC, rising demand worldwide and economic recovery in Asia.

All three factors are likely to keep the oil price bubbling.

Dealers said oil's latest surge had been bolstered by a perception that the Organisation of the Petroleum Exporting Countries would keep a disciplined rein on supplies despite fears that the market might over[illegible].

In Tehran, Iranian President Mohammad Khatami said gains that have doubled the oil price since February were the result of OPEC members' resolve to rein in production.

He also said he was in favour of holding a meeting of the heads of state of OPEC members in Caracas.

"The summit would underline the spirit of cooperation that is part of OPEC today," and Iranian oil official told Reuters.

The International Energy Agency warned last week that OPEC's tight production could cause a global stock shortfall in the key northern hemisphere winter period when demand normally rises.

That could translate into a spike in oil prices in the months ahead, some analysts forecast, pushing Brent above $20 a barrel.

Analysts said excess stockpiles were set to drain so quickly over the next few months that inventories could be depleted even before the start of peak winter demand.

Private refinery commissioning may change Indian oil sector scenario

by Hemant Babu

MUMBAI, July 16: The commencement of commercial production at Reliance Petroleum's refinery in the western Indian state of Gujarat may go a long way in keeping India's import bill under control at a time when international prices of oil and petroleum products are shooting up, analysts said.

Reliance Petroleum Ltd. (RPL) has announced the commencement of commercial production at its 27 million tonne grassroots refinery at Motikhavdi in Jamnagar district of Gujarat. The Rs. 142.5 billion ($3.3 billion) refinery represents 25 per cent of India's refining capacity and is the biggest grassroots refinery in the world, the company claims.

The impact of its commissioning will be felt immediately on diesel imports, which are likely to be slashed by at least 80 per cent by the month-end. India had to import diesel worth $1.25 billion during 1998-99.

One analyst, Bhargav Parikh, pointed out that the announcement has come as a major relief to India's economic planners, who were worried about increasing prices of oil and petroleum products in the international market.

The world oil market this week reached a new high amid reports from the US that the excess petroleum stockpile in the West is fast eroding. The benchmark Brent was traded this week at $19.23 per barrel. The increase in prices would have put an immense burden on the Indian economy.

Reliance's refinery has begun commercial production ahead of schedule, enabling India to save about $400 million in foreign exchange at the current price level. The company had earlier said the project was likely to be fully commissioned by the end of the second quarter of the current financial year.

Analysts say India imported about 27 million tonnes of petroleum products in 1998-99 and the figure was likely to come down to 14 million tonnes during this financial year. The projected import figure for 2000-2001 is 7 million tonnes, industry sources said.

Highly placed sources in Reliance said the company has offered to supply the government 135,000 tonnes of diesel and 10,000 tonnes of kerosene in July, with supplies beginning on July 20. A company analyst said in 1998-99, India imported roughly 26 million tonnes of refined products. In 1999-2000, 87 per cent of India's expected oil products consumption of nearly 94 million tonnes will be met through domestic refining. In 2000-2001, 93 per cent consumption, of the expected 102 million to 104 million tonnes, would be met through the 96-million tonne domestic refining sector.

India would still need to import additional quantities of refined products, but only after April 2001, said analysts. By that time, a growth rate of more than five per cent and no fresh capacity additions would start creating deficits, said traders.

RPL's refinery might lead to some shakeout within the trading community as most of the import tenders issued by the Indian Oil Corporation (IOC) were bid for by a coterie of some 60 registered vendors with the IOC, said an oil trader attached to a multinational trading house operating in India.

Now that Reliance's refinery has come up in a big way, diesel, petrol and naphtha would be in surplus and liquefied petroleum gas (LPG), kerosene, low sulphur waxy residue (LSWR) and furnace oil would be imported in very small quantities.

This would force a strong coterie of traders to shift their focus, a trader said. On the other hand, Reliance has also planned a nationwide LPG distribution network which may further change the trading configuration of petroleum products in India.

Dhirubhai Ambani, RPL's chairman, had said at the parent company Reliance Industries' 25th annual general meeting in Mumbai that the 2.1 million tonnes per annum of LPG would be provided to not only Gujarat and Maharashtra but the whole country.

These products would reach the consumer through a unique network of retail distributors, he had claimed. With the commissioning of the refinery, RPL expects to achieve a turnover of more than Rs. 200 billion ($4.7 billion) in 2000-2001, company sources said.

— India Abroad News Service

Japanese business leaders say 'no' to extra fiscal spending

KARUIZAWA, Japan, July 16: Business leaders told the Japanese government today to stop spending huge sums on public works in the name of stimulating the economy, saying the long-term effectiveness is questionable, reports Reuters.

"We have reached a point where we should say enough is enough," said Yoshihiko Miyauchi, president of Orix Corp, Japan's largest leasing firm.

He was speaking at a two-day seminar ending on Friday of the Japan Association of Corporate Executives, a major business lobby, in the resort town of Karuizawa, northwest of Tokyo.

On Thursday, the Lower House of parliament passed a modest 542.0 billion yen ($4.49 billion) extra budget to finance a government jobs package amid near-record unemployment. Financial markets, however, have already turned their attention to a widely expected larger, second extra budget for the year to next March to stimulate the still-weak economy.

Economic Planning Agency chief Taichi Sakaiya has recently said more budget funds will be needed to avoid a dropoff in public works spending in January-March 2000.

A senior ruling party official recently told Reuters the budget may have to amount to 10 trillion yen.

Orix's Miyauchi later said he would not oppose public works spending on well-selected projects with high priority.

But the extra budget, if passed, is likely to be used for projects with low priority and little long-term effect in strengthening the economy, just as previous ones were often used to build facilities such as little-used roads and fishing ports with excess capacity, he said.

"About 101 trillion yen has been spent (to stimulate the economy) since the early 1990s, which so far has done little good," Miyauchi said.

His comments were echoed by Setsuzo Kosaka, chairman of Kurita Water Industries Ltd, and Tatsuya Tamura, chairman of management consulting firm AT Kearney KK.

Tamura said Japan should not take additional fiscal measures given its heavy fiscal deficit.

"The government simply cannot afford to do that," he said.

Tamura later said the Japanese economy is now "out of the intensive care unit" and strong enough to walk on its own feet.

Fiscal stimulus measures were like morphine. You feel good at the moment, but it doesn't create a real recovery," he said.

Despite the strong stance of some association members, including Miyauchi and Tamura, against additional fiscal steps, the business lobby is not united on the issue.

Akira Chihaya president of Nippon Steel Corp, said after Thursday's session that it is too early to decide whether Japan needs additional stimulus measures.

Yotaro Kobayashi, chairman of the association, said Japan should take extra fiscal steps if the economy shows signs of running out of steam, adding that he hoped to formulate the business lobby's official stance on Friday.

Kobayashi heads major copier maker Fuji Xerox Co Ltd.