Lok Sabha okays bill to end state monopoly in insurance

NEW DELHI, Dec 3: The Indian parliament's lower house passed a bill yesterday to dismantle decades of state monopoly in the insurance sector by allowing in foreign players and private domestic firms, reports AFP.

Prime Minister Atal Behari Vajpayee's coalition government in further market liberalising moves also passed two crucial fiscal bills in the lower house Lok Sabha, Thursday.

The passage of the Insurance Regulatory and Development Authority Bill was marked by protests and a walkout by left-wing parties, who have warned of mass lay-offs if the state monopoly is broken.

The opening of the sector has been seen as a litmus test of the current coalition government's commitment to pro-market reforms launched in 1991.

The bill, which allows foreign investors a maximum 26 per cent stake in insurance joint ventures, will become law once it is endorsed by the upper house.

The main opposition Congress backed the insurance bill after the government accepted four amendments to the original draft.

Finance Minister Yaswant Sinha after the passage of the Foreign Exchange Management Bill (FEMA) said it would replace an existing law regulating foreign exchange transactions, which has been criticised as "draconian and anti-reforms."

"The enactment of FEMA is aimed only at making the law humane and practical," he said, but added that government would continue to "follow a cautious policy on the management of foreign exchange."

During a debate on the controversial insurance bill, Sinha pledged the two monolithic state-run firms that have monopolised the market for decades would not be privatised.

"Employees have nothing to fear ... they will have their jobs. In fact, the opening up of the insurance market will create more jobs," said Sinha.

"Besides these two firms are fully prepared and equipped to face competition."

The finance minister rejected opposition charges that opening the insurance sector amounted to an illegal sellout of national interests.

Sinha also said the government was not under duress from external forces to introduce the much-awaited insurance bill in parliament.

"We took the decision out of our own volition and the government of Atal Bihari Vajpayee is under no pressure from outside," Sinha said.

US-based JP Morgan investment bank, which advises insurance firms, said business activity in the sector would soon pick up.

"We expect the first company to start business by 2000-end. However, this will happen only if the bill is passed by both houses of parliament in the current session," said JP Morgan's Vedika Bhandarkar.

"Insurance is perhaps the last bastion to fall in India," said market analyst Shekhar Sathe from the Kotak Mahindra Mutual Fund in Bombay.

Chinese Minister of Trade Shi Guangsheng speaks to reporters after the plenary session on the third day of WTO ministerial meetings on Thursday in Seattle. China is classified as an Observer Nation at the WTO. —AFP photo

UNDP chief blasts WTO

PARIS, Dec 3: The head of the UN Development Programme yesterday joined the chorus of criticism of the World Trade Organisation, saying it was "the wrong place" to deal with labour and environmental issues, says AFP.

"The last thing you'd want to happen is have the WTO expand its agenda to labour and environmental rights," Mark Malloch Brown, administrator of the UNDP, told journalists.

"The WTO is a small closed trade organisation which sets trade rules and has a mechanism of three officials, acting as administrative judges to adjudicate complex trade disputes.

"And if you have these three unelected, anonymous officials also judge environmental and labour disputes, the problem of unaccountability and secrecy would be a hundred times worse," he said.

The UNDP chief said he was in favour of strengthening both labour and environmental rights within the international system, but only within the relevant institutions, such as the International Labour Organisation (ILO) in Geneva.

"But please not in the WTO, which will not just be the wrong place to get the right answers on those issues, but will undermine its effectiveness as a trade institution."

Referring to the wave of protests in Seattle, he said the issues being raised were extremely important, describing them as "a wake-up call."

And in an apparent criticism of the WTO he said that the UNDP, which each year publishes indicators on the state of development across the globe, advocated "a different globalisation agenda," a "globalisation with a human face."

Half of the world's population survived on less than two dollars a day, he said, and it was consequently "foolish to say that globalisation is going to change the life of these people."

Southern Africa en route to adopt free trade pact

MAPUTO, Dec 3: Southern African leaders said yesterday they were on track to implement an elusive free trade pact by January which they said was an important step to boost growth in the region, reports Reuters.

The leaders said at the end of a two-day Southern African Development Community (SADC) summit on trade and investment that they were also committed to tackle corruption, AIDS, crime and other barriers which deterred foreign investors.

"The trade protocol will be operational in January," said Mozambican President Joaquim Chissano at the end of the summit organised by the International Heraid Tribune.

The meeting brings together heads of state and government for informal discussions with the private sector on how to raise the impoverished region's investment profile.

The SADC trade protocol, aimed to remove trade barriers in the region and set the framework for the 14-member SADC's goal to establish a common market, has been under negotiation since 1996.

Business representatives at the Maputo summit expressed frustration with the slow pace of implementation of the pact.

South Africa, the region's economic powerhouse, recently became the eighth SADC state to sign the protocol.

"I think we have made a lot of progress and the trade protocol is in its final stages. I don't think there will be problems in keeping to the timetable, said South African's Deputy President Jacob Zuma

"The trade protocol we have signed, and which is to come into effect in January 2000, will ensure the creation of a free trade area in SADC," he said.

"As trade flows increase within the region and our regulations are harmonised, regional integration and the building of economies of scale will begin to materialise."

Zuma said South Africa had mounted an expensive massive awareness campaign to tackle the rampant spread of the AIDS epidemic which economists say poses a high risk to its economy.

But he criticised Western media for treating the AIDS problem as "an African issue" when it was a global problem.

South Africa has one of the world's highest rates of HIV infection with government statistics showing 1,600 of its 40 million people being infected everyday. This is a 10th of the 16,000 new infections that occur around the world daily.

Sub-Saharan Africa as a whole is bearing the brunt of the pandemic with the region — the world's poorest — home to 23 million of the world's 33 million afflicted by the AIDS virus.

Along with AIDS, protracted war and conflict have also deterred investment and growth in the region.

But Zimbabwean President Robert Mugabe defended his government's involvement in the war in the Democratic Republic of the Congo despite the high costs to his struggling economy.

"Creating peace and stability always means expenditure," he said.

Zimbabwe's move to pour soldiers and weapons to back President Laurent Kabila against Rwandan and Ugandan-backed rebels has drawn sharp criticism from home and abroad, leading to a suspension of a aid by several key Western donors.

Russian Duma passes 2000 budget

MOSCOW, Dec 3: The Russian State Duma, the lower house of parliament, passed the 2000 budget in a fourth and final reading today after reaching a compromise with the government on domestic tax havens, reports Reuters.

The document was passed with 308 votes for, 52 against and three abstentions. It now goes to the Federation Council upper house for approval and later has to be signed into law by President Boris Yeltsin.

Euro slips below $1 for the first time

LONDON, Dec 3: Europe's fledgling single currency, the euro, tumbled to $1 and below for the first time ever on Thursday, less than a year after it was launched amid fears that it might become so strong that it would hurt the economies of both the United States and Europe, reports AFP.

By breaching the psychologically important barrier, the euro heightened concern about its long-term viability. Eleven European nations formed the euro on Jan 1 in an ambitious effort to create a regional economic and monetary union.

The euro reached parity at 2047 GMT and the slipped to $0.9995 in trading late Thursday. It pervious all-time low was $1.0039 reached Friday.

The single currency now has plunged 16 per cent from its first day of trading, Jan 4, when it quickly rose to an all-time high of $1.1886.

The euro's decline extended a ragged retreat over worries that European governments lacked the resolve to let free-market forces prevail without intervening to protect national businesses.

Economists and currency traders have said that the euro's slide to parity with the dollar would have little immediate economic impact on the member countries of "Euroland" and their 292 million residents.

"The fact is that it's just hitting a new low," said Peter Guttmann, senior economist at National Westminster Bank Group.

Top WB economist quits to slam US, IMF policies

WASHINGTON, Dec 3: The top economist at the World Bank quit his post last month so he could speak out more openly against US and IMF economic policies, the New York Times reported yesterday, reports AFP.

"It became very clear to me that working from the inside was not leading to responses at the speed at which responses were needed," former World Bank chief economist Joseph Stiglitz told the Times.

Stiglitz sharply criticised what has become known as "the Washington consensus," telling the New York daily that policies of the International Monetary Fund and the US Treasury Department are misguided.

There is an "intellectual gap between what we know ... and what is still practiced" at the IMF and US Treasury, he said.

In particular, pressure on developing countries to raise their interest rates has often caused more harm than good, as has pressure against almost any efforts by such countries to control short-term capital flows in and out of their economies, according to Stiglitz.

Such pressures are usually tied to loans made by the IMF to developing countries in need.

Top officials at the World Bank traditionally have sought to avoid harsh criticism of the IMF, not wanting to undermine the Fund's authority or sour relations between the two institutions.

But last week World Bank President James Wolfensohn publicly praised Stiglitz for moving the bank away from the "Washington consensus"; and it was with Wolfensohn's support that Stiglitz publicly criticized official policy to a far greater degree than he had when he was chairman of the White House Council of Economic Advisers.

"Rather than muzzle myself, or be muzzled, I decided to leave" the World Bank, said Stiglitz. "In a sense, there was a question of personal and professional integrity. Remaining silent when people were pursuing wrong ideas would have been a form of complicity," he told the Times.

Stiglitz joined the World Bank in 1997 as chief economist. His public criticisms often caused debate and conflict with fellow economists.

Though he resigned last month, he is to continue at the Bank until January 1, 2000, as a special adviser to the president, and is to head the Bank's search for his replacement.

ISN, Golden Key form tie-up

Information Services Network (ISN), the first Internet service provider in Bangladesh, has joined Golden Key, a US-incorporated and Sri Lanka-based total IT solution company, to form a company to operate here, reports UNB.

The new company Golden Key-ISN Private Ltd will offer integrated total solution of applications, pertaining particularly to banks, corporate bodies and large enterprises, said a press release Thursday.

The tie-up specialises in interfacing front-end software to back-end in any operating systems, hardware and network platform.

While ISN represents the local aware partner, Golden Key brings with it overseas experience and expertise. Golden Key has received award from IBM for excellence in the field for three consecutive years.

The joint venture was launched at a function at a city hotel on Wednesday.

Enayetullah Khan, chairman of ISN and Editor-in-Chief of the Holiday, Suramya Karunaratne, Deputy Chief Executive Director of Golden Key, and S M Iqbal, Managing Director of the company, were present.

The single-point support concept and product-display were presented by Feeroze Kamardeen, vice-president of Golden Key ISN Private Ltd.

IBM World Trade Corporation has agreed to extend business partnership to the IT multinational company.

A contract in this respect was also signed on the occasion by Sajjad Hossain of IBM Dhaka and S M Iqbal.

LatAm producers blast EU banana import proposals

SEATTLE, Washington, Dec 3: Seven Latin American banana producers yesterday jointly condemned new European Commission proposals for banana import rules, says AFP.

In a statement issued on the sidelines of a World Trade Organisation ministerial conference here, Colombia, Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Venezuela rejected the exclusive tariff basis of the new European proposal.

The world's largest banana producer, Ecuador, which on November 19 asked the WTO for the right to impose 450 million dollars worth of sanctions on EU imports over the banana row, did not sign the document.

The European Commission last month sued for peace in its long-running war with Latin American banana producers and US banana companies operating in the region over the EU's preferential treatment of fruit from former European colonies in Africa, the Caribbean and the Pacific.

It proposed keeping the present system of tariffs and quotas until 2005, and then switching to a tariff-only system consistent with WTO rules from 2006.

The WTO had already approved 191 million dollars (183 million euros) in US trade sanctions against EU goods in April after ruling that the current import regime violates WTO rules.

But the seven banana producing countries said Thursday that the tariff-only proposal was unacceptable, stressing in a joint statement "their continuing insistence on a WTO-consistent tariff-rate quota system" combining both import quotas and tariffs.

They said the new offer from the European Commission "would not be compatible with the WTO" and said it was the Commission's "responsibility to specify a fully WTO-consistent" system.

They also stressed their "common resolve to continue to insist on a new Single Banana Regime that is fully consistent with WTO rules and principles.

Ministers at the joint press conference said they did not understand why Ecuador had not joined their action.

"Ecuador was invited to do so. We feel very sad about that because this document reflects the joint position of the banana producers, not just one country. We do not understand why Ecuador is not here," said Costa Rica Trade Minister Samuel Guzowski.

Japan's monetary policy needs to stay easy: IMF

WASHINGTON, Dec 3: Japan will need an even more expansionary monetary police until its economic recovery is guaranteed and the risk of deflation has eased, the deputy head of the International Monetary Fund said yesterday, reports Reuters.

IMF First Deputy Managing Director Stanley Fischer said Japan's return to growth was helping the economic recovery elsewhere in Asia. But monetary policy needed to stay easy.

"Monetary policy in Japan should remain expansionary, indeed it should become more expansionary, until the recovery there is on firmer ground and remaining deflationary risks have passed," he told a conference in Washington, according to a text of his remarks released ahead of delivery.

Japanese interest rates are already virtually at zero, which means there is little room to expand monetary policy by conventional means.

Flemming Larsen, the IMF's deputy chief economist, said last week that Japan could consider unsterilized central bank intervention to stem an unwelcome appreciation of the yen.

Central banks normally "sterilize's currency market intervention by mopping up the money they have pumped into the foreign exchange market, thereby neutralising the intervention effects on money supply.

By leaving yen-selling intervention unsterilized, the Bank of Japan would expand the money supply and in theory put further downward pressure on the currency.

US President Bill Clinton (R) shakes hands with International Labour Organisation Director General Juan Somavia (L) joined by Senator Tom Harkin (C) after the signing of the ILO Convention 182, which prohibits the worst forms of Child Labour, at the Bell Harbour International Convention Centre on Thursday in Seattle, Washington. The President was in Seattle for the opening of the World Trade Organisation meeting. —AFP photo

Plastindia 2000 to begin in Delhi Feb 19

Star Business Report

The 6-day 4th International Plastics Exhibition and Conference — 'Plastindia 2000' — will start at Pragati Maidan in New Delhi, India, on February 19, says a press release.

Plastindia will organise the exhibition.

Plastindia Foundation is the apex body of all major associations, organisations and institutions connected with the plastics industry in India.

The three earlier events, viz Plastindia '90, Plastindia '94 and Plastindia '97 have been extremely successful from the Global Plastics Industry's point of view.

During Plastindia '97, more than 750 exhibitors participated, who were drawn from more than 25 countries. Plastindia '97 was visited by nearly 700,000 visitors from across the world and as many as 35 business tie-ups and foreign collaborations were concluded.

Plastindia 2000 is the largest plastics trade fair in Asia and the third largest in the world.

This fair, the 4th in a series, will be spread over 50,000 sqm at Pragati Maidan in New Delhi. It is expected to attract almost a million visitors and over 1000 exhibitors. 375 overseas exhibitors will be from 35 foreign countries.

Economy en route to recovery

Brazil to draw down $1.1b IMF-led loan

BRASILIA, Dec 3: Brazil opted to bite off just a small chunk of funds available from a $41.5 billion IMF-led loan, in what economists said yesterday showed fiscal restraint as Latin America's economic giant plots a course to recovery, says Reuters.

Brazil's central bank said it would draw down $1.114 billion of its third and fourth tranches available under the special low interest "stand-by" loans.

The fourth tranche alone is worth $4.69 billion, which the International Monetary Fund offered Brazil on Monday after cheering its economic reforms.

Economists said Brazil remains on track to pay back some $5.142 billion by the end of the year and, with Thursday's announcement, it may even send more cash back to creditors.

"Brazil is showing that it is amortizing much more than it is withdrawing," said Carlos Kawall, chief economist at Citibank in Sao Paulo.

"They were saying they would pay something like $5.1 billion. But I think that with this announcement it will be more than that."

Exactly one year ago, the IMF moved to rescue Brazil from a wave of financial turmoil sweeping emerging market economies by loaning it a first tranches of $18 billion. The problem started in Thailand in July 1997 and spread relentlessly to Indonesia, South Korea and Russia.

The IMF's loan programme to Brazil was renegotiated this January after the government, bowing to fierce market pressures, abandoned a cherished inflation-bushing policy which held the Brazilian currency to a slow-crawling dollar peg.

The IMF said earlier this week Brazil was recovering, but warned the government needed a cautious policy on interest rates in the short term after a recent surge in inflation.

Brazil on Thursday said it would incorporate inflation targets into its agreement with the IMF. The targets would replace the floor set on liquid reserves, which are used less to steady the currency under the new free-floating regime.

The inflation targets will be quarterly and will be based on annual single-digit goals the central bank outlined in June. Under those targets, inflation should reach 8 per cent in 1999, 6 per cent in 2000 and 4 per cent for 2001.

Brazil also on Thursday rattled out a series of economic forecasts that held no surprises for the market and already received the IMF's blessing on Monday.

In its fourth revision to the IMF-led agreement, Brazil forecast its current account deficit should reach $24.7 billion this year — slightly less than the $25 billion previously announced by the Central Bank.

It said foreign direct investment should exceed $27 billion this year.

Filipino banks ready for Y2K

MANILA, Dec 3: The Philippines' 53 commercial banks are 100 per cent prepared for a smooth, business-as-usual transition to the year 2000 after having passed the central bank's tests for Y2K compliance, a central bank official said Friday, reports AP.

"The transition to 2000 will be smooth. Nothing will go wrong," said Dolores Yuviengco, a member of the central bank's Y2K commission.

Yuviengco said the central bank does not expect any computer system failures among the country's commercial banks.

The only disruption that could occur, which the central bank considers minor, is a brief shutdown of a few automated teller machines if there are heavy withdrawals at particular branches, she said.

Yuviengco noted that banks are accustomed to quickly solving such problems, which also occur on days employees get their salaries from automated teller machines.

In the event of a power outage, banks will be prepared to update records manually, Yuviengco said.

The central bank has also prepared measures to provide ample domestic liquidity and prevent any Y2K-related problems, including the printing of extra money, creation of an emergency loan facility, extension of the period for banks to comply with reserve positions, and elimination of the 1 per cent reserve requirement on interbank loans. All these measures will be in place only until Jan. 15.

Euro sees a New Year silver lining

LONDON, Dec 3: The euro is in for a rough ride in the next few weeks but should gradually pull away from the danger zone of dollar parity in the New Year, according to economists polled by Reuters.

Despite its tumble to within half a cent of $1.0, relatively few economists forecast the euro will go under parity for long, if at all. Indeed, they see it back at $1.02 a month from now, according to the median of 47 forecasts.

Some economists say capital flows into Japan pose a significant threat to the euro in the short term. But thereafter the median forecast showed a long slog back to $1.0565 in three months, $1.10 in six months and $1.1490 a year from now.

Much depends on two events which have long been forecast but are taking a while to happen: a slowdown of the US economy and a euro zone recovery strong enough to win over the doubters on the foreign exchange market.

"Sentiment will still be in favour of the US dollar because of the stronger growth in the USA," said Gerhard Grebe of Bank Julius Baer in Frankfurt. "The USA will continue to surprise on the upside and everyone's waiting for a strong rebound in the euro zone. If it doesn't materialise they will be disappointed."

Grebe saw the euro at parity a month from now before climbing gradually to $1.10 in year. An economic rebound would come eventually, although for 2000 he still saw Europe lagging. He forecast gross domestic product growth at 3.6 per cent in the United States and 2.8 per cent in the euro zone.

The Reuters Eurozone Purchasing Managers' Index, which plots the area's manufacturing economy, has shown growth since April but the November figure, while a strong 57.0, was below forecast, and unchanged from October.

Economists failed to predict the euro's dive this month. In the last Reuters poll taken at the start of November they forecast it would be $1.07 at the end of last month. In fact it closed at just $1.0089 on Tuesday. Foreign Exchange Analytics in Connecticut came closest with $1.0250.

"It would seem as if many analysts have to eat humble pie as the year draws to a close," said Teis Knuthsen at SEB Merchant Bank in Copenhagen, who saw the euro breaking through parity to 98 cents in a month's time.

"Euroland has done mostly as expected in terms of growth and the ECB (interest rake hike last month) but the US has stubbornly failed to slow and most of us have overlooked the negative effect coming from net capital flows," he said.

Japanese selling of euro investments and repatriation of the funds was perhaps the biggest risk to the euro in the short-term, he added.

But the majority of economists insist the euro will rebound: "After the current parity hunting, the euro is likely to appreciate quite rapidly when the first concrete evidence of German economic growth is received," said Juha Vainikainen at Merita Bank in Helsinki.

European interest rates were unlikely to help the euro much, as the economists saw the European Central Bank's refinancing rate staying at 3.0 per cent will into next year before rising modestly to 3.25 per cent in six months and 3.5 a year ahead.

Kirit Shah of Sanwa International in London saw strong technical support for the euro at $0.9890 and any sharp downturn on asset markets would hit the dollar more than the euro, as the US economy is more leveraged to the markets than Europe's.

But he said the euro project had suffered another dent to its political credibility arising from strong German opposition to the hostile bid by British mobile phone company Vodafone AirTouch for German giant Mannesmann. This has highlighted the conflict between aggressive Anglo-American business tactics and a more consensual approach in Germany.

Shah also pointed to continuing large capital flows out of the euro zone in portfolio and direct investment. "The market continues to underestimate the importance of the fact that the euro zone has replaced Japan as the world's largest provider of capital," he said.

Aussies warned to avoid Poland, Russia over Y2K disruptions

CANBERRA, Dec 3: Australia will pull out all but three of its 16 embassy staff from Moscow and has issued a general warning to Australians to avoid Russia because of possible disruptions caused by the Y2K millennium bug, says AP.

A similar warning has been issued to the Australian Embassy in Warsaw, Poland.

"Consular staff will be pulled out on December 28 and will return once we get a better picture of Y2K disruptions," a spokesman for the Department of Foreign Affairs said, on customary condition of anonymity.

There is a risk of disruption from a number of factors, including the failures of power, water, gas and telecommunications systems, the banking sector and transport, he said.

The department has done assessments on 71 countries where Australia has diplomatic relations and is setting up a 24-hour consular operations office in the Australian capital of Canberra to react to any problems experienced by Australians overseas.

The Y2K bug refers to the inability of some computers to recognize the difference between 1900 and 2000 because both end in doubles. That could cause some computers to go haywire at the crossover between Dec 31, 1999 and Jan 1, 2000.