Nationwide strike looks inevitable, thousands of jobs at stake

Indian govt on collision course with unions over divestment

NEW DELHI, Dec 10: India's government is set on a collision course with the country's powerful trade unions as it makes good on promises to cut stakes in public sector companies, reports Reuters.

Strike action looks inevitable. The question is whether the unions will go beyond token protest strikes as millions of workers register concerns about potential job losses.

While there is the semblance of a political consensus in favour of reforms, India's trade union are ready to fight a rearguard action to keep market economics at bay.

In January, some two million state enterprise employees will hold a nationwide referendum on whether to take direct action against the government for pressing ahead with partial divestments — full privatisation is still largely unheard of.

"There will be a nationwide strike. The idea of a referendum is to demonstrate the willing support of each and every worker against this reckless move," said H Mahadevan, deputy general secretary of the leftist All India Trade Union Congress (AITUC).

Workers would picket industrial centres across the country and communist lawmakers would step up pressure inside parliament to force the government off the disinvestment path, he said.

But analysts think the unions' resistance to divestment is unlikely to make much of an impact.

"There will be noise, but it is not going to wash," said Ashish Nandy, political analyst at the Centre for Contemporary Societies.

Nandy said the unions no longer enjoyed the kind of support they did during India's years of controlled economy because there was too much disillusionment with the state sector.

"The public sector has failed India, that is the common man's perception," he said. "Wastage, corruption that is what the public sector is identified with."

Prime Minister Atal Behari Vajpayee's reform programme has angered unions before — a year ago they staged a one-day general strike to protest his government's economic management.

And straight after Vajpayee's re-election in October the government faced down a strike by the country's truckers over a hike in diesel prices.

The passage of the insurance reform legislation was accompanied by strikes by workers in the sector, and more are expected once it becomes law.

But the divestment process, through which the government hopes to raise 100 billion rupees ($2.3 billion), could become a binding force for the union movement, even among those prepared to accept limited disinvestment.

In July the government identified nine firms in which it planned to reduce its stake during the fiscal year ending March.

The list includes blue chip companies Videsh Sanchar Nigam Ltd, Mahanagar Telephone Nigam, Gas Authority of India Ltd and the Indian Oil Corporation.

"They want to sell the family silver to run the family," said KL Mahendra, general secretary of the AITUC. "This is like the *nawabs* of old days who in their dying days sold off family wealth to continue a life of pomp and pageantry," he said.

The Indian National Trade Union Congress, affiliated to the reformist Congress, said disinvestment to balance the budget was wrong and would be opposed tooth and nail.

"We are not opposed to divestment as long as it is not more than 49," said Chandidas Sinha, a spokesman of the INTUC.

"But the disinvestment proceed must be used for the organisation concerned and not for budgetary purposes. We are strongly opposed to this," he said.

IMF will ne'er be popular: Camdessus

WASHINGTON, Dec 10: Outgoing IMF managing director Michel Camdessus has acknowledged that the International Monetary Fund — an advocate of economic rationality and discipline — will never be a popular institution, reports AFP.

Camdessus, interviewed by a Fund publication called IMF survey, also said the IMF had failed to adequately explain itself to the public.

"It is only very recently that we realised that the conventional interpretation of our purpose might not be serving us well," he said in remarks set for publication December 13.

Camdessus last month announced he would step down for personal reasons in mid-February, halfway through his third five-year term, during which the IMF was pilloried for its failure to predict the Asian financial crisis of 1997.

When the Fund did intervene, arranging international financial rescue packages for struggling economies, it was denounced in the US Congress for having bailed out imprudent foreign creditors.

Other critics, notably in academic circles, charged that the IMF's insistence on high interest rates, stable currencies and spending cuts increased the burden on working people.

Camdessus said the IMF had been made a scapegoat in the crisis, which had "obscured our members' perception of the good things we could do for and with them."

"We will never be seen as a very popular institution," he told IMF Survey.

"Why? Fundamentally, because, in general, we work on behalf of economic rationality, and rationality is not the most attractive of qualities in human and social life.

"But on a deeper level, we will never be very popular because we are serious about country ownership of policies and programs. When a country adopts a policy and implements it with determination and succeeds, it is the country that declares victory — not the IMF, even though we may have played some part in this success.

"So, the rule is: others claim success, while we must recognise our mistakes."

British Premier Tony Blair (R) is seen on Friday in Helsinki, at the first working session of the European summit as French counterpart Lionel Jospin (L in background) speaks to President Jacques Chirac (2nd L in background). British Foreign Secretary Robin Cook warned France yesterday that it will inevitably lose an impending court case over its refusal to lift a ban on imports of British beef. – AFP photo

Jospin right to keep ban, say French

French beef embargo prompts splutterings of fury in UK

LONDON, Dec 10: A frost in Helsinki, an apple on the front page and outrage all around — beef returned today to dominate Britain's press in the latest round of the cross-Channel war over the humble cow," reports AFP.

France's decision to maintain its embargo on British beef imports prompted splutterings of fury and "we-told-you-so" laments in Britain's daily papers. The consensus was that British Prime Minister Tony Blair had been made to look a "dupe," in the words of the Guardian, or "humiliated," in the words of most other papers.

Worse, his pro-Europe credentials, his insistence that diplomacy would win the day and his credibility at home and abroad, had taken a severe knock.

"They're taking the oui-oui," the tabloid Sun proclaimed in a typical play on words.

"There's one thing you can always depend on with the French," it argued in an editorial ".. You can't depend on them".

France announced late Wednesday that it was maintaining the unilateral ban because it was still unsure about the safety of British beef after the crisis over mad cow disease, which has been linked to a fatal human equivalent.

Blair, who has vowed to pursue legal action against France, was widely reported to be cold-shouldering his French counterpart Lionel Jospin at the EU summit in Helsinki, which opens Friday.

Many papers used the wintry weather in Helsinki as a metaphor for the frosty state of Anglo-French relations, which the Guardian said had plummeted to their lowest point for 10 years.

"Blair's Francophilia has led him into a trap," The Times wrote. It harmed the credibility of his European strategy, ranging from the single currency to defence, the paper added.

The Daily Telegraph said Blair should have foreseen that Jospin would not dare overrule his country's own food safety.

Meanwhile, another report from Paris says: French consumers, farmers and politicians yesterday came out overwhelmingly in support of their government's decision to maintain the British beef embargo.

The government took "a wise decision," rural rights group Familles Rurales said, while Jean-Louis Debre of the Gaullist RPR party said the decision was "the right one."

Prime Minister Lionel Jospin and his ministers decided to put health worries before legal obligations Wednesday when they announced the beef ban would continue, sparking heavy criticism from Britain and the European Commission.

But the decision also sparked a chorus of approval from many in this nation made wary by recent public health scandals.

Consumer rights organisation Conso-France said it was "overjoyed" at Jospin's "courageous decision."

EU summit in Helsinki off to a shaky start

HELSINKI, Dec 10: A European Union summit was off to a shaky start amid a fight over a savings tax, a spat over beef, and disagreement over how to treat Turkey as a future EU member, as well as lack of vision on how to get Russia to stop waging war in Chechnya, reports AP.

The 15 EU leaders arrived Thursday amid frantic diplomatic activity to sort out these issues so the summit can focus on its main purpose: to celebrate the bloc's ambitious eastward expansion plans by doubling the number of candidates and endowing the union with a common defense policy.

British Prime Minister Tony Blair was stunned by France's renewed refusal to accept British beef imports and under the gun for refusing to go along with a proposed 20 per cent, EU-wide tax on interest income.

Greek Prime Minister Costas Simitis is refusing to agree to making archrival Turkey an EU candidate quickly, along with Bulgaria, Romania, Latvia, Lithuania, Slovakia and Malta.

Greece's 14 EU partners want to give Turkey candidate status, but with a delay in starting membership talks.

Finnish Prime Minister Paavo Lipponen, the host of the two-day meeting, said Turkey was one of the most difficult issues on the EU agenda.

"I think we can work out something," Lipponen said. "It's up for us to decide."

Simitis wants Turkey to first improve its record in human rights and neighborly relations and do more to reunify Cyprus.

These issues also pushed to the back burner talk of giving the EU a military role, in parallel to NATO, backed by a rapid reaction force of up to 60,000 troops and hundreds of airplanes and warships.

On Chechnya, the leaders were poised to condemn Russia for its bloody crackdown and, once again, urge it to seek a political settlement with Chechen rebels. It was unlikely they would endorse economic sanctions for fear these would only harm the economic and political reforms they so badly seek in a country with which they have a tenuous relationship, at best.

In August, the 15-nation EU lifted a three-year ban on the export of British beef following an outbreak of "mad cow" disease that has been linked to a fatal brain ailment in humans. On Thursday, France confirmed it will keep British beef out, despite a lawsuit filed against it by the EU Executive Commission.

ADB chief says

Southeast Asia recovering faster than expected

TOKYO, Dec 10: Southeast Asian economies are rebounding faster than expected, the head of the Asian Development Bank said Friday, reports AP.

"The recovery is exceeding everybody's expectations," said Tadao Chino, president of the bank, which loans money to developing countries in Asia.

Korea's economy will likely grow 9 per cent this year after contracting 5.8 per cent in 1998, he said. Even Indonesia, beset with violent independence movements in East Timor and Aceh, will grow 2 per cent this year after shrinking 13.2 per cent last year.

Japan's nascent economic recovery has pushed up the value of the yen, making goods from Southeast Asia comparatively cheaper, and thus more competitive, in world markets, Chino said.

Japan recovering moderately

TOKYO, Dec 10: Japan's economy is improving moderately, supported by the effects of past government policy steps and a recovery in other Asian economies, the Economic Planning Agency (EPA) said in a monthly report today, reports Reuters.

That basic assessment of the economy was unchanged from the last two monthly reports.

"The recovery in private-sector demand is weak and the economy has not escaped from its severe condition, but with the effects of various policies and an Asian economic recovery, the economy continues to improve moderately," the EPA said in its December report.

The report noted changes in certain components, however, including a slight upgrade of its view on personal consumption.

"Although it remained at a standstill due to low income levels, there is some improvement," the report said.

But the agency lowered its assessment of housing construction and public works, two key areas that had helped bolster the economy in recent months.

"There is a strong possibility that public investment will remain weak until new public works spending in the supplementary budget is implemented," said Takashi Omori, the EPA's director of domestic economic affairs.

Parliament on Thursday enacted a 6.79 trillion yen ($66 billion) supplementary budget for the fiscal year to next March to help pay for a stimulus package aimed at leading the fragile economy to a sustainable recovery.

The budget includes government outlays of 3.5 trillion yen for public works.

Turkey set to win $4b IMF loan this month

WASHINGTON, Dec 10: The International Monetary Fund said yesterday that it would debate a $4 billion loan for Turkey later this month and said new central bank policies would help drive inflation down, reports Reuters.

Michael Deppler, head of the IMF department dealing with Turkey, said in a statement that IMF management had approved Turkey's new economic plans, which were outlined in a letter sent to the Fund.

"Turkey's programme and the request for IMF support are expected to be considered by the executive board on either December 21 or 22," he said.

Turkey has been trying for months to finalise a deal to borrow money from the IMF, but fund experts have been concerned about stubbornly high price rises and about the government's ability to bring inflation down.

GM eyes 20pc stake in Fuji Heavy

DETROIT, Dec 10: General Motors Corp will pay $1.4 billion for a 20 per cent stake in Fuji Heavy Industries Ltd, the Japanese automaker that builds Subaru vehicles, a source close to the negotiations said, reports AP.

The deal to be signed in Tokyo will allow the two companies to share technology. GM will become Fuji's largest shareholder, but Fuji will keep independent management, the source said.

GM Vice Chairman Harry Pearce on Thursday declined to discuss the substance of any talks with Fuji, but did praise the company's skill in building four-wheel-drive systems and advanced transmissions.

"It's a very fine company," he said. "Those are important technologies for the future."

An announcement is scheduled for Friday in Tokyo.

Subaru's US lineup of sedans, wagons and a small sport utility vehicle, all with four-wheel-drive, have a following among US customers looking for some SUV attributes in a car-like package.

The deal, called a "broad partnership" by GM, will focus on small and midsize SUVs, as a well as four-wheel-drive systems and continuously variable transmissions for small cars. The two automakers will also work on vehicle control systems and other advanced technologies, the sources said.

David Healy, an industry analyst with Burnham Securities, said the technology was the real prize for GM.

"This will give them access to some technology — CVTs (continuously variable transmissions), engines, and so on, that they may not have to spend equivalent bucks to develop themselves," he said.

"The agreement also gives the world's largest automaker another tool to pry open the Asia-Pacific market. With much of the region experiencing a gradual recovery from an economic crisis, many automakers expect the Asian vehicle market to grow faster than in North America and Europe over the next several years.

GM sold 443,000 vehicles in Asia and Australia last year and has just 4 per cent of the market; executives have set a goal of 10 per cent by 2005.

Philippines economy to enjoy fragile recovery in 2000

MANILA, Dec10: The Philippine economy will next year enjoy a respectable but "fragile" recovery which could be hit by local and foreign developments, a leading investment house warned here today, reports AFP.

All-Asia Capital and Trust Corp. said gross national product (GNP) growth in 2000 would hit 3.9 to 5.3 per cent up from an estimated 3.4 per cent this year, while gross domestic product (GDP) would hit 3.4 to 4.7 per cent from an estimated 3.0 per cent this year.

However, in projections released here, the company warned the "recovery remains fragile and vulnerable to swings in market sentiment and external developments."

The main external risk is that the US economy, which absorbs most of the Philippines' exports, could slow down, affecting the Philippines, the report said.

All-Asia research chief Helen Alvarez also warned that two key exports, garments and agricultural products, had been weakening, raising concern about the continued growth of the country's exports.

Recovery will also depend on the "resurgence of a healthier financial system," the company said, noting the Philippines remained saddled with a low savings rate.

This forced the country to depend on foreign sources to fund its growing budget deficit. Such foreign funds are also vulnerable to "short term perceptions on economics and politics," All-Asia said.

There was also concern with the Philippines budget deficit which All-Asia estimated would hit 90.5 billion pesos (2.2 billion dollars) or 3.0 per cent of GDP in 1999 and forecast it would reach 62.5 billion pesos or 1.9 per cent of GDP next year.

Agriculture, which recovered in 1999, and industry, which contracted, are expected to be the main growth engines in 2000, Alvarez said.

ROK farmers protest market liberalisation

SEOUL, Dec 10: Around 30,000 South Korean farmers and civilian activists took to the streets here today to press demands for reform and raise opposition to market liberalisation, witnesses said, reports AFP.

The protestors packed a square outside Seoul railway station and nearby sidewalks as thousands of riot police struggled to keep the crowd from spilling into the roads.

Thousands of workers were scheduled to join the rallies later Friday to press their own cause.

Wearing red and yellow headbands and waving hundreds of colourful banners, the farmers shouted "Write off all farming debts" and "Down with the WTO."

Other slogans were chanted, including one demanding that the draconian National Security Law be repealed immediately.

Thousands of South Korean farmers and Workers from the Korean Confederation of Trade Unions (KCTU) take part in an anti-government rally in front of Seoul's main railway station Friday. The workers are protesting against agricultural product imports and to roll back restrictions on union activities. – AFP photo

Confce on monetary policy issues ends

IMF urges Asia to adopt inflation targeting

CEBU, Philippines, Dec 10: The International Monetary Fund said today Asia's crisis-affected countries should look to inflation targeting as a monetary policy framework at this time of low inflation, ahead of a possible spike when economic recovery would have taken shape, reports Reuters.

But participants said some countries were likely to find such an approach difficult as they restructured their battered financial systems.

On Friday regional central bank and IMF officials ended a three-day conference in Cebu to discuss monetary policy issues.

Inflation targeting — basing monetary policy on achieving a set level of inflation — is "one of the options which authorities may think about," Kunio Saito, IMF director of the regional office for Asia and the Pacific, told the conference.

"At the same time, they should also think about the need of changing their systems. One consideration is the inflation threat."

"This is time to look at (inflation targeting)," he said.

Inflation targeting has already been adopted in some developed economies for a decade now, beginning with New Zealand in 1989.

The IMF said in a conference paper the experience of countries that have adopted inflation targeting has been encouraging, since it is seen as providing more transparency and accountability.

It could also shield the central bank from political pressures from the government and private sector to relax monetary policy for short-term gains.

Participants noted that in most developing countries in Asia, monetary policy was principally focused on exchange rate stability, which was difficult to sustain as they became more integrated into the world economy and experienced swift capital flows.

Philippine central bank deputy governor Amando Tetangco however said in a paper there were still constraints against the immediate adoption of inflation targeting, such as the need for a more developed financial system and central bank independence.

Thirachai Naranubala, assistant governor of the Bank of Thailand, said the high level of non-performing loans in his country may limit the bank's ability to implement monetary policy.

The Bank of Thailand said last month it planned to peg monetary policy to inflation targets to manage the economy.

"The banking system in Thailand is still faced with a high level of non-performing loans and a high level of liquidity due to the hesitance of banks to extend new credits. This may limit our ability to effectively implement monetary policy", Thirachai said.

Donors pledge $3.7b for WB Africa aid

PARIS, Dec 10: International donors ended a three-day meeting in Paris with a pledge of $3.7 billion in aid to poor African countries over the next three years, the World Bank, coordinator of the scheme, said yesterday, reports Reuters.

The aid, the fifth tranche of a special programme started in 1987 to combat poverty in Africa, will be a mixture of grants, project finance, debt relief and so-called highly concessional credits to the 30 eligible countries.

The amount of new money pledged for 2000-2002 took into account a sustained fall in global commodity price which has stung many African exporters, World Bank officials said.

Re-named Strategic Partnership with Africa (SPS) from Special Programme of Assistance, the new tranche will also shift some control over the funds away from donors to receiver countries amid a realisation that years of growth have failed to lift millions of Africans above the poverty line.

"Quick-disbursing support will continue to be needed to ensure that poverty reduction strategies nested within sound macroeconomic programmes achieve results on the ground," the World Bank's vice president for Africa, Jean-Louis Sarbib, told reporters.

Sarbib said donors were frustrated that a pick-up in growth in recent years had not filtered through to the man in the street.

"We've seen a turnaround on the marcroeconomic front ... but the five to six years of recovery have not been enough to reverse the situation," he said.

"What we are trying to figure out are ways in which we can monitor much more closely how resources flow to people at the end of the road," he said.

SPS donors, who include the African Development Bank, the European Union, the OECD, the United States, Canada and most of Western Europe, concluded there was a need to overcome inequality in developing African countries that was preventing poorer people from benefiting from economic progress.

Continuing conflicts and social instability were also stalling efforts of the SPS, whose founding aim was to help developing nations with economic reform.