Sinha to be influenced by economic realities

Cash-strapped India seen en route to tough budget

NEW DELHI, Feb 28: Cracks appeared in India's multi-party ruling coalition last week over economic issues but analysts do not expect these to have much effect on a tough 2000/2001 (April-March) budget expected on Tuesday, reports Reuters.

They expect Finance Minister Yashwant Sinha to be influenced more by economic realities than politics, given the poor state of government finances.

Worries the government would weaken its stand on the need for tough economic measures first arose when it postponed a planned hike in oil prices.

Then on Friday, a railway budget was announced which was widely criticised as populist — it did not touch subsidised passenger fares.

With few options available to rein in the country's gaping fiscal deficit, the government will be forced into politically contentious decisions such as reducing or removing subsidies on public utilities and raising some taxes.

"There seems to be a general political consensus that the economy needs some kind of harsh corrective measures," said Ashish Nandy, a political analyst.

"Anyway, no major elections are due in the near future so this may be the best time for the government to be bold and take some tough decisions. The state elections are also out now, so politics could become less important," he said.

Markets have been bracing for a tough budget since Sinha said this month that the government had run out of soft options. Last week, president KR Narayanan said the fiscal deficit was worrying and that some subsidies need to be cut.

Prime Minister Atal Behari Vajpayee sounded a similar note when he told members of the ruling coalition that "harsh medicine" was needed to cure the country's economic ills.

With the fiscal deficit at around 84 per cent of the full financial year target by end-December, the government needs to find some ways to raise revenue and check its spending.

The government has targeted a fiscal deficit of four per cent of gross domestic product for 1999/2000, compared to 4.5 per cent a year earlier but independent analysts expect it to be five per cent or above. Analysts are encouraged by the government's record in pushing ahead with economic reforms in its four months in power.

It has opened up the state-run monopoly insurance sector to private and foreign investors, raised petroleum product prices once and shown willingness to shed control in state-owned firms.

Meanwhile, a PTI report from Hyderabad says: Indian Union minister of state for Home Vidyasagar Rao today said action would be taken against those non-government organisations (NGOs) involved in misusing foreign funds by diverting the aid to other areas.

Speaking at the inauguration function of a super speciality hospital of a voluntary organisation "Aware" here, Rao said the foreign aid flowing into the country should be utilised for the intended purpose of health care and education only and should not be diverted to other areas.

The inflow of foreign aid, mostly from the western countries, should be spent for the intended purpose (Medicare and Education) and any attempt to misuse it for religious conversion or other such activities undermining national unity and integrity would not be tolerated, the minister said.

Corporate hospitals should provide free service to the poor, he said adding that though the government hospitals were functioning well they lack the modern equipment.

Indian Union minister of state for urban development, Bandaru Dattaireya, who was also present at the function, said white ration card holders (Weaker Sections), should be given free treatment by corporate hospitals.

Income inequality breeds social instability

Paper on Bangladesh poverty analysis says

A sharp rise in income inequality evidenced through consumption and income in the society would breed instability and discontent undermining the very process of economic growth in the coming decade, reports BSS.

This was observed in a paper of Dr Binayak Sen on "Bangladesh Poverty Analysis: Trends, Policies and Institutions", prepared under the financial support of Asian Development Bank.

The paper said Bangladesh can hardly afford an increase in inequality with 2 per cent per capita per year growth in national income.

The income inequality may turn out to be socially disruptive and dampen the impact of economic growth on poverty alleviation. Bangladesh is yet to take-off to a rapid growth path, even though it has achieved some success in moving out of the trap of long-term zero or negative growth, Sen said in his paper.

Income inequality increased at an unprecedented rate since nineties and according to the estimates carried out by Bangladesh Bureau of statistics, the Gini index for rural income inequality increased from 35 per cent in 1983-84 to 38.4 per cent in 1995-96. The urban income inequality increased from 39.8 to 44.4 per cent during the same period, the paper said.

Dr Sen suggested distribution or re-distribution of physical assets, human assets, financial assets, natural assets, social assets and political assets to reduce the trend of rising income inequality.

If the access to physical capital is technically constrained by the limited availability of physical assets such as land, then the access to other assets on the part of the poor may be a good alternative, the paper said.

The paper said providing access to human assets such as basic education and higher levels of skills will help the poor to move up the income ladder faster than possibly through any other means.

Ensuring expanded access to financial assets via micro credit would help the poor to grow fast. The cooperatives of the poor can also earn income by investing in the bond market. This type of interventions would increase with the spread of IT in rural areas, the said.

Access to natural assets such as common property resources would help the poor in mitigating risk in times of distress. Access to social assets (so-called social capital) can be ensured by building grassroots organisations of the poor at the village level, leading to better networking capacity, which would again have the role of risks-insurance.

ROK industrial output up 28pc

SEOUL, Feb 28: South Korea's industrial output rose 28.1 per cent year-on-year in January, after an increase of 24.6 per cent in December, led by semiconductors, computers and automobiles, official data showed today, reports AFP.

In January, semiconductor output advanced 41.1 per cent from a year earlier, with inventories up 68.2 per cent year-on-year, the National Statistical Office (NSO) said.

Citibank-led consortium wins Biman restructuring deal

Biman Bangladesh Airlines and Citibank, NA-led consortium Sunday signed the final contract for restructuring and commercialisation of Biman by way of incorporating a strategic airline partner, says a press release.

The contract was signed by Air Commodore M Rafiqul Islam, Managing Director for Biman, David E Rees, CEO & Citibank, N.A., Bangladesh, for Citigroup, Uli Baur, Vice President and Principal, SH & E, and Andrew J M Matthews for Clifford Chance Wirot for the consortium.

As a many as 44 airline specialist companies, consulting firms and consortiums submitted their expressions of interest at Biman's invitation last year, out of which Biman had short-listed 4 firms — ANZ Investment Bank, Flemings Consortium, Citibank, NA, and ABT Associates in April 1999.

The short-listed firms were invited to submit technical and financial bids. The Board of Directors finally selected the Citibank-led consortium as the most competent candidate.

Citigroup, the parent company of Citibank, NA, has lead or co-lead-managed over 70 privatisation equity offerings in 27 countries raising US$ 170 billion worldwide since 1990. Airline privatisation advisory clients have included Air Canada, Alitalia, Air New Zealand, China Airlines, Kenya Airways, Olympic Airways and many others.

In the process of privatisation, the government will own 51 per cent of the shares of the airline, employees of Biman will own 9 per cent and the rest 40 per cent will be owned by the new foreign airline partner.

The $2 million plus project is to be funded by the World Bank. The selection process was conducted in conformity with World Bank guidelines.

Citibank, NA is a US bank which first opened in Bangladesh in 1987 as a Representative office. In 1995, the bank started full-fledged banking operations with a branch in Dhaka and will open another one in Chittagong shortly.

After the merger between Citicorp and Travelers Group in 1998, Citibank, as a member of Citigroup, is part of the largest financial services institution in the world, with branches in over 100 countries and serving more than 100 million customers worldwide.

Tata Tea positive about its takeover of UK's Tetley

BOMBAY, Feb 28: The mood at Tata Tea was upbeat Monday as share prices of the Indian company which acquired Britain's Tetley surged on the stock market, reports AP.

The move is being heralded as part of a trend of Indian companies breaking new ground abroad.

Announcing the largest acquisition by an Indian company, Tata Tea said Sunday it had forged a 271 million pound (US $ 433.6 million) deal to buy out British firm Tetley.

Last year, software firm Infosys was the first Indian company to be listed on the Nasdaq, followed by Satyam Infoway. Later, long-term lender ICICI listed on the New York Stock Exchange. All those companies shares have been performing well.

When markets opened Monday the price of a Tata Tea share was rupees 566.9 ($13), a substantial rise of 7.6 per cent from Friday's close of rupees 525 ($12) per share.

Chairman of the Tata Group Ratan Tata has described the acquisition as a "bold move."

"As the country is opening up, it is significant that Indian companies are going international to acquire companies with reputed brands ... We hope many other Indian companies will follow us," Tata told reporters.

The Tata group is 123-year-old with interests in consumer durables, hotels, steel, automobiles, chemicals, power generation, software, telecommunication and housing.

Tata Tea has the second largest share of 25 per cent of the 225 million kilogram-(495 million pound)-Indian market for packaged tea, after market leader Hindustan Lever Limited which holds 40 per cent.

Company officials believe the takeover will give the firm access to markets in North America, Europe and Australia.

"We are naturally thrilled at buying a global brand twice our size. It is a challenge," said Romit Chaterji, vice president of corporate affairs at Tata.

Ironically the biggest-ever takeover by an Indian company has been of a British brand as if in reply to hundreds of years of colonial rule by the British.

Company officials and analysts waved aside historical allusions by citing the forces of market economics.

"That is all buried in the past. This has more to do with India's economic revival and the strong surge of Indian companies abroad," said Chaterji.

"Sure, there is a sense of Indianness coming to the fore. Somebody needed to take the plunge. Just like when Infosys listed on the Nasdaq, other Indian companies said. 'Why not me?'"

Chaterji felt it would help shake other Indian companies "out of a defensive mode."

The Indian government has often been accused of protecting Indian companies from foreign competition. Since the opening up of the economy in 1990, the government has been easing restrictions on foreign companies keen on doing business in India.

Satish Turlapati, a research analyst at brokerage SSKI, said more such acquisitions were likely in the software sector.

"This happened in an industry where India is strong. It will continue to occur wherever Indians have core competency and where valuations favour Indian companies. It will definitely happen in software," he said.

Predicting a 10-15 per cent surge in Tata Tea shares, Turlapati did not foresee a takeover of this size by another Indian company in the fast moving consumer goods category.

"Big players in the auto sector could set up distribution networks abroad. There could be smaller FMCG operations in the Middle East, but apart from software I don't see another takeover on such a scale taking place soon."

Tata Tea registered a profit of rupees 1.280 billion (US $29 million) in 1999 and this year's estimate is rupees 1.240 billion (US $28 million).

S'pore tourist arrivals hit historical high

SINGAPORE, Feb 28: Singapore's tourist arrivals hit a historical high in January on the back of increasing traffic from Asia, officials said today, reports AFP.

A Singapore Tourism Board official said visitor arrivals rose 11.8 per cent from a year earlier to 637,619 in January, eclipsing the previous monthly record of 612,265 in January 1997.

Arrivals from neighbouring Indonesia led the Asian visitor-generating markets, with a 31 per cent rise to 149,519 followed by India, China, Hong Kong and Malaysia, the board said in a statement.

Tourism is a key revenue earner for Singapore.

Singapore's tourism receipts in 1999 rose 11.7 per cent to 10.01 billion Singapore dollars (5.9 billion US).

It's 2000 objective is to attract a record 7.4 million tourists on the back of a speedy regional economic recovery, up six-to-seven per cent from 6.96 million last year and topping the all-time high of 7.29 million in 1996.

Air Commodore M Rafiqul Islam, Managing Director of Biman Bangladesh Airlines, and David E Rees, Chief Executive of Citibank, NA, Bangladesh exchange the copies of an agreement signed for restructuring and commercialisation of Biman.

Md Mujibur Rahman, Managing Director (CC) of Northern General Insurance Co Ltd, presides over the company's Branch Managers' Conference—2000 at Pan Pacific Sonargaon Hotel recently. Hamidul Haq, Chairman of the company, is seen on his right.
— Northern General Ins photo

Northern Ins branch managers' confce held

The Branch Managers' Conference-2000 of Northern General Insurance Co. Ltd. was held at Pan Pacific Sonargaon Hotel recently, says a press release.

Hamidul Haq, Chairman of the company, inaugurated the conference which was presided over Managing Director Md. Mujibur Rahman.

Hamidul Haq in his inaugural speech thanked the branch managers for their performance during the year 1999. Haq urged them to increase the business volume of the company and to fulfil their respective business targets during the year 2000.

Jahurul Islam Chowdhury, Chairman of the Executive Committee also expressed his satisfaction over the performance of the company. Chowdhury advised the branch managers to render best possible services to the valued clients to keep up the image of the company.

Abdul Matin, Director of the Company, pointed out that the company has already introduced the Provident Fund & Group Insurance scheme for the employees.

Md. Mujibur Rahman praised the branch managers and other officials for their sincere efforts to increase he business of the company.

The participating branch managers also spoke on various aspects of the business activities and expressed their firm commitment to achieve their respective business targets.

Asian Currency Roundup

Most markets end sharply lower

HONG KONG, Feb 28: Most Asian stock markets closed sharply lower Monday, rattled by last week's sharp fall on Wall Street, says AP.

In Seoul, the main index fell 5.2 per cent in reaction to Friday's selloff on Wall Street. The Korea Composite Stock Price Index fell 45.75 points to 819.01.

On Friday, the Dow Jones industrial average fell 230.51, or by 2.3 per cent, to 9,862.12. It was Dow's first closed below 10,000 since April 6, 1999, and the lowest close since April 1, 1999, when it finished at 9,832.51.

The Philippine bourse's benchmark index plunged to a 15-month low, pushed down by Wall Street's steep losses and persistent concerns about an insider trading probe of gaming company BW Resources Corp, traders said.

The 30-company Philippine Stock Exchange Index fell 74.16 points, or 4.1 per cent, to 1,720.65. It was the index's lowest close since Nov 13, 1998, when it stood at 1,711.98.

Thai shares also slumped on selling in banking and blue-chip stocks, traders said. The Composite Index of the Stock Exchange of Thailand, fell 18.27 points, or 4.5 per cent, to 388.39.

In Hong Kong, the blue-chip Hang Seng Index fell 216.54 points, or 1.3 per cent, to close at 16,984.44. On Friday, the index had gained 142.32 points, or 0.8 per cent.

Investors were reluctant to buy amid concern an extended pull-back on Wall Street will ripple through Tokyo, traders said.

In currency trading, the US dollar was quoted at 109.20 yen in late Tokyo trading, down 1.69 yen from Friday and below its late New York level of 110.47 yen.

The Taiwan market was closed for a holiday.

Elsewhere:

Wellington: New Zealand share prices closed lower, spooked by Friday's selloff on Wall Street. The NZSE-40 Capital Index fell 33.16 points, or 1.6 per cent, to 2,005.29.

Sydney: The Australian share market closed lower as investors turned their backs on the resources sector, chiefly due to interest rate concerns. The All Ordinaries closed at 3,118.0, down 5.7 points, or 0.2 per cent.

Singapore: Share prices closed lower on renewed worries over US interest rates. The benchmark Straits Times Index fell 21.75 points, or 1 per cent, to 2,118.65.

Jakarta: Indonesian shares closed higher on bargain-hunting. The Composite Index rose 7.987 points, or 1.4 per cent, to 576.542.

Kuala Lumpur: Malaysian share prices closed lower on poor investor sentiment and regional weakness following losses on Wall Street. The Composite Index of 100 blue-chip stocks fell 18.85 points, or 1.9 per cent, to 983.77.

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to major currencies.

Currency	Selling TT & OD	Selling BC	Buying T.T Clean	Buying OD. Sight Export Bill	Buying OD Transfer
US Dollar	51.2300	51.2700	50.8100	50.6570	50.5850
Pound Stg	81.9629	82.0269	80.7473	80.5041	80.3897
Deutsche Mark	25.7665	25.7866	24.7499	24.6754	24.6403
Swiss Franc	31.0598	31.0840	30.4179	30.3263	30.2832
Japanese yen	0.4697	0.4701	0.4613	0.4599	0.4592
Dutch Guilder	22.8682	22.8861	21.9660	21.8999	21.8687
Danish Krona	6.7213	6.7266	6.5773	6.5575	6.5482
Australian $	32.0188	32.0438	30.7146	30.6222	30.5786
Belgian Franc	1.2493	1.2502	1.2000	1.1964	1.1947
Canadian $	35.7053	35.7332	34.6637	34.5593	34.5102
French Franc	7.6827	7.6887	7.3796	7.3673	7.3469
Hong Kong $	6.5959	6.6010	6.5158	6.4962	6.4869
Italian Lira	0.0260	0.0260	0.0250	0.0249	0.0249
Norway Krone	6.1655	6.1703	6.0661	6.0478	6.0392
Singapore $	30.3819	30.4056	29.4176	29.3290	29.2873
Saudi Rial	13.6960	13.7067	13.5111	13.4705	13.4513
UAE Dirham	13.9866	13.9975	13.7954	13.7539	13.7344
Swedish Krona	5.8826	5.8872	5.8116	5.7941	5.7858
Qatari Riyal	14.1188	14.1298	13.9186	13.8767	13.8570
Kuwaiti dinar	172.9283	173.0633	160.5879	160.1043	159.8767
Thai Bhat	1.3576	1.3587	1.3436	1.3396	1.3377
Euro	50.3950	50.4343	48.4067	48.2609	48.1323

Bill buying rates

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
50.7112	50.3866	49.9632	49.5398	49.1163	48.2695

US dollar London Interbank Offered Rate (LIBOR)

Buying ($)	Selling ($)	Currency	1 Month	3 Months	6 Months	9 Months	12 Months
50.5850	51.2300	USD	5.87625	6.10125	6.33250	6.56250	6.79500
80.3897	81.9629	GBP	6.14375	6.25000	6.42813	6.59719	6.77125
Cash/ T.C	Cash/ T.C	Euro	3.40750	3.59563	3.77875	3.94750	4.11500

Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
43.60/43.70	51.87/51.88	37.79/37.84	3.7995/3.8005	7355/7385	1136/1137

Amex notes on Sunday's market

The interbank USD/BDT was dull, with most deals taking place in the 51.10-51.11 level. The call rates were unchanged at the 6-6.75 per cent level. The government has accepted t-bills worth BDT 858 crores, and t-bills worth BDT 823 crores matured today.

The euro ripped into record low territory against the dollar on Monday as its failure to sustain a recovery rally last week disenchanted investors, but it then whipsawed backup amid wariness of central Bank Intervention. A gap in economic growth between US and Europe, waning prospects of an imminent European Central Bank interest rate increase and persistent concerns over structural rigidities in European economies all led many investors to dump the single currency, market analysts said. The growth gap had been highlighted last Friday when gross domestic product data showed the US economy expanded at a blistering annual pace of 6.9 per cent in the fourth quarter. At one point in a chaotic Asian session on Monday the euro plunged 3.6 per cent to a record trough around $0.94, dropping far below its previous lifetime low around $0.9660 — a level to which it quickly bounced back up. "Once we fell below $0.9665, the old low, there was an enormous amount of stop-loss orders and there was very poor liquidity," said a foreign exchange strategist from London. Analysts said the issue now was whether the ECB could infuse some stability into the market through intervention or monetary tightening and whether the Euro's mounting losses induced more stop-loss selling. Finish Finance Minister Sauli Niinisto said his counterparts from the 11-nation euro member countries were to meet on Monday to discuss the euro's slide. "With the euro at these levels they will be very unhappy," commented an economist. "If it slides to $0.90, the ECB would have to intervene because it would be a snowballing effect." In early European trading, traders said bargain hunting was pushing the euro back up. It was up more than two per cent from the early record lows.

Tokyo traders noted that among a torrent of loss-cutting euro selling, a large number of Japanese Institutional Investors were selling euros for yen to hedge their exposures in European asset markets. The yen rose to four-week highs against the euro near 104 yen and also gained sharply against the dollar to two-week highs around 108.40 yen in a market driven by stop-loss orders. "There was no fundamental event, no piece of news behind it," a senior currency strategist said in Tokyo. "Rather, the price action itself is the story", he added. Some analysts noted that erratic price actions have not been limited to the currency market lately and that there was an eerie feeling across the board in financial markets. "My concern is that the markets are behaving very strangely at the moment — the way the stock markets are, the way (yield) curves are inverted in the US and so forth," a treasury economist commented from London. "It means that the whole system is very fragile, very confused and there could be some near-term risk of some significant disruption.

Sterling rallied towards record highs against the deflated euro on Monday as the single currency racked up one of its biggest one-day losses against the dollar since its launch last year. The pound was meanwhile range-bound against the dollar, hovering near last week's lows as euro/sterling took the strain of euro/dollar's 3.5 per cent drop to record lows. Traders said they expected sterling to continue to take its cue from the moves in euro/dollar with domestic fundamentals pushed to the sidelines amid nervous markets.

In GMT 10:00 the majors closed against US $ at 109.24/109.29 JPY 1.6546/1.6556 CHF, Euro at $ 0.9704/0.9707 and GBP at $ 1.5892/1.5902.

Battle to buy big HK phone firm intensifies

Media baron Rupert Murdoch joins forces with SingTel

HONG KONG, Feb 28: The battle to buy Hong Kong's big telephone company intensified Monday, as media baron Rupert Murdoch joined forces with Singapore's phone company to help it fight a bid from a local internet investment group, reports AP.

The Hong Kong group, Pacific Century CyberWorks Ltd., run by the son of powerful tycoon Li Ka-shing, confirmed early in the day it is trying to buy Cable and Wireless HKT - for a price that reportedly could range between US $35 billion and $40 billion.

Pacific Century CyberWorks hopes to outdo an earlier offer from Singapore Telecommunications Ltd. and keep the Hong Kong phone company under local control rather than see it fall into the hands of bosses in Singapore — traditionally a fierce economic rival to Hong Kong.

Cable and Wireless HKT suspended its shares from trading on the Hong Kong Stock Exchange early Monday and announced a deal could be struck "within 48 hours" between its majority shareholder, Cable and Wireless PLC of Britain, and Pacific Century CyberWorks, which is controlled by Li's son, Richard Li.

But SingTel soon made it clear it won't give up easily on its goal of merging with Cable and Wireless HKT into an Asian telephone giant worth some US $60 billion.

By early evening, SingTel and Murdoch's News Corp. had issued a joint statement saying News Corp. will pay US$ 1 billion for a 4 per cent stake of SingTel in a deal "intended in part to help facilities SingTel's pending bid for Cable and Wireless HKT."

SingTel spokesman Ivan Tan declined comment on whether his company had made a new bid for Cable and Wireless HKT or to elaborate on how much it might now offer. SingTel had not disclosed terms of its previous proposal.

As part of the deal announced Monday, SingTel and News Corp. will develop a partnership to offer broadband Internet and wireless business in Asia.

Murdoch's STAR TV had previously agreed to form a joint venture with Cable and Wireless HKT to provide digital interactive television markets, and he apparently would like to see all the businesses folded into one.

Murdoch said the two deals establish his company "as a leader in two of the most dynamic and lucrative markets in Asia — Hong Kong and Singapore."

SingTel's president and chief executive, Brig. Gen. Lee Hsien Yang, said the arrangement with News Corp. will leave the companies "in a superior position to jointly exploit various growth opportunities in Asia."

SingTel needs to find new markets, analysts say, after Singapore's government recently accelerated the opening of its turf to more competition.

Cable and Wireless PLC, which holds 54 per cent of the Hong Kong phone company, has been in talks with SingTel and Pacific Century CyberWorks but has not indicated when it will decide what to do about the sale.

Newspaper reports had suggested SingTel would go to court here to try to block the offer from Pacific Century CyberWorks by suing a key banker, but that may have been a smokescreen as SingTel arranged the deal with Murdoch.

SingTel was reportedly angered at bankers from HSBC Holdings PLC, which is helping to arrange the financing of the Pacific Century CyberWorks bid, although the bank previously had been advising some Cable and Wireless HKT directors on the bid from SingTel and therefore could have had a conflict of interest.

But Hong Kong judicial officials said SingTel hadn't filed anything by the time the High Court registry had closed for the day on Monday. SingTel's spokesman Tan, declined comment.

HSBC said Sunday it has acted properly all along, and the company's group chief executive, Keith Whitson, told reporters Monday that SingTel had not complained to the bank.

Pacific Century CyberWorks stepped into the fray after the announcement last month of merger talks between the Hong Kong and Singapore phone companies stirred concerns here that Singapore would end up calling the shots.

Pacific Century CyberWorks published a legal announcement on Monday that said it has bid for Cable and Wireless HKT, although terms had not been agreed and negotiations were continuing.

Pacific Century CyberWorks had suspended its shares from trading on Friday, after seeing the market awash with speculation about its intentions.

The company's legal notice said it hoped to resume trading on Monday, but after the market opened, its shares remained suspended pending what the company described as an announcement relating to Cable and Wireless HKT.

Cable and Wireless HKT shares, which continued to trade on Friday after Pacific Century CyberWorks was taken off the market, were suspended after just a few trades on Monday. The stock rose 0.2 per cent to 25.95 Hong Kong dollars (US $3.33) per share.