Honda to raise its stake in Astra

JAKARTA, Aug 18: Japan's Honda Motor Co will raise its stake in PT Astra Internationals motorcycle manufacturing unit to 50 per cent next week, a senior Astra executive said Friday, reports AP.

Astra expects to sign the final agreement with Honda next week to sell a 42.5 per cent stake in its PT Federal Motor unit, said Astra chief executive Theodorus Permadi.

Honda already owns a 7.5 per cent stake in Federal Motor.

Astra has been reducing its stake in several automotive units to raise cash for debt repayment.

The latest move is aimed at refocusing its auto business more on distribution rather than manufacturing.

Toyota will cut prices to boost market share

BANGKOK, Aug 18: Japanese carmaker Toyota plans to reduce prices of vehicles made in Thailand in a bid to raise its market share here, according to the president of its Thai subsidiary, says AP.

Yoshiaki Muramatsu of Toyota Motor Thailand Co. told a news conference late Wednesday that the company will be able to cut prices of its locally produced vehicles by purchasing all of its parts domestically. Local parts are less expensive than imports from Japan.

The aim is to boost domestic market share to 35 per cent from the current 29 per cent by 2003.

Toyota Motor Thailand uses about 80 per cent domestic parts in its pickups and 55 per cent to 87 per cent in its passenger car models.

Thailand, Vietnam to form joint rice pool

BANGKOK, Aug 18: Thailand and Vietnam will formally agree as early as next week to form a joint rice pool allowing the two countries to export rice at the same price, Niphond Wongtra-ngan, president of Thailand's state-run Public Warehouse Organisation, said Friday, says AP.

The two countries decided in early July to create the rice pool, which is supposed to prevent competitive price cutting between the world's two largest rice exporters.

Under the project, both countries agreed to initially allocate 100,000 metric tons of 25 per cent broken rice to the pool and to sell that rice at the same price, with each side selling the same volume at each sale.

Work on a draft agreement is nearly complete, and it could be signed as early as next week, Niphond said.

China plans to close loopholes in tax law

BEIJING, Aug 18: Amid a crackdown on corruption, China plans to close a loophole in its tax law that allows local authorities to transfer central government funds to their won coffers, a state-run newspaper said Friday, reports AP.

The proposed amendment, to be submitted to lawmakers next week, will also attempt to prevent firms from evading taxes through mergers and declarations of bankruptcy -- now possible under the vagueness of the current law, the China Daily said.

A "huge amount of taxation has been lost due to loopholes in the legislation," Yao Jiamin, an official with China's tax bureau, was quoted by the newspaper as saying.

The legal revision comes amid an accelerating government campaign against rampant official corruption that is undermining public support for Communist Party rule.

Ford to build cars at Mazda factory

TOKYO, Aug 18 : Ford Motor Co. will begin making compact cars at a Mazda Motor Corp. factory in Japan as early as 2002, a newspaper reported Tuesday, says AP.

Ford and Mazda have reached a basic agreement to annually build 40,000 to 50,000 Ford Focus compacts, as well as a 1-liter subcompact, at a factory in Hiroshima, the Nihon Keizai newspaper reported. It did not cite any sources.

Ford and Mazda officials would neither confirm nor deny the report.

"It's very natural to consider something like that, but we haven't come down to a decision yet," said Mami Iwamoto, a spokeswoman for Ford Motor Co. (Japan) Ltd.

Mazda issued a similar statement.

Iwamoto said that Mazda will begin building the Ford Escape compact sport-utility vehicle late this year in Japan alongside a similar Mazda version, with which it shares engine, transmission and other components.

Mazda currently supplies Ford with four Mazda-designed vehicles, including a version of its popular 1.3-liter Demio wagon. Ford then sells it in Japan as the Festiva Mini Wagon.

Pak govt mulls over privatising PIA

ISLAMABAD, Aug 18: Pakistani military ruler General Pervez Musharraf is considering selling the national airline as part of a privatisation drive expected to fetch some four billion dollars, reports said today, reports AFP.

The government has decided to sell its stakes in 49 entities during the next two years to boost its depleted coffers and help pay off crippling debt servicing bills.

Although Pakistan International Airlines is not on the list, Privatisation Commission chairman Altaf Saleem said Musharraf had "agreed in principle" to its sale, the News daily quoted him as saying.

"Under the programme, at least one entity will be offered for privatisation every alternate month," he said.

He said the cabinet had approved a regulatory framework governing the sales, which are part of a range of economic reforms promised by Musharraf after he seized power in a coup in October.

Under the plan, 10 per cent of the privatisation proceeds will be used for poverty alleviation programmes, while the remainder will be used for retirement of public debt.

Saleem said the sales, despite their size and importance for the struggling economy, would not be rushed and the bidding process would be transparent.

"We won't go for a throw-away price," he said.

"But that does not mean we would be over-cautious. We won't let the prices of the listed projects deteriorate."

He said small parcels would be offered at first to test the market's appetite.

"We are also in the process of priority analysis as to which entity is to be privatised first, according to our national interests."

Prospective buyers would be liable for a proportion of the debts owed by the sold entities.

Shares to be sold include the government's interest in nine oil and gas fields, its minority shareholding in Pak Saudi Fertilizers Ltd., Pakistan Telecommunication Company Ltd., Karachi Electric Supply Co., National Power Construction Co. and Habib Bank Ltd.

A demonstrator wearing a mask raises his fist during a demonstration in front of the Indonesia parliament complex in Jakarta Friday. Thousands of people, including workers, party activists and students demonstrated in the Indonesian capital and several other cities to push for a 100 per cent rise in the basic wage. "FNPBI" stands for the Indonesian National Workers and Farmers Front. –AFP photo

China warns banks against illegal rate hikes

BEIJING, Aug 18: China's central bank has again ordered financial institutions not to use inappropriate methods to attract deposits, such as illegally raising interest rates, the official Financial News said today, reports Reuters.

The People's Bank of China had sent a directive which repeated a ban on such practices because some financial institutions were still violating the rules. It gave no details.

Lending rates at Chinese banks are permitted to float only 10 pre cent above or below a base level set by the central bank for loans to most companies. Deposit rates are fixed.

However, China's central bank chief Dai Xianglong said last month that interest rates would be liberalised over the next three years by allowing the market to set most deposit and lending rates.

SE Asia 'needs reforms' to catch neighbours

KUALA LUMPUR, Aug 18: Southeast Asia lags behind Japan and its neighbours in overcoming the region's financial crisis and will catch up only if it embraces structural reforms Singapore Senior Minister Lee Kuan Yew said yesterday, reports Reuter.

Singapore's founding father said in a speech in Malaysia that the countries of Northeast Asia --Japan, South Korea, Taiwan, China and Hong Kong -- will be able to match the science and technology of the West within this century.

But, he said, the nations of Southeast Asia are less well placed than their neighbours to the north to post high growth rates because Southeast Asia has failed to open up its economies as much to trade and investment.

He cited a decline in Southeast Asia's share of total East Asian gross domestic product to 7.6 per cent from 9.7 per cent since the financial crisis erupted in mid-1997.

"Southeast Asia can overcome this setback by making the necessary changes and completing their structural reforms to be less vulnerable in another market crisis," Lee said in a speech to business and government leaders in Kuala Lumpur.

The former prime minister spoke on the third day of a four-day visit to Malaysia, his first in a decade and one aimed at easing longstanding tensions between the sibling nations.

Lee said a rebound in the crisis-hit economies of Southeast Asia may have come too early, before structural reforms were completed.

Meanwhile Northeast Asia has responded to the crisis by liberalising its economies and opening up key service sectors. He cited the merger of South Korean car makers with foreign firms, and China's decision to join the World Trade Organisation.

After the recent summit between North and South Korea, Northeast Asia is in a "much better position, with greater prospects of investments and growth in the 21st century," Lee said.

Answering questions after his speech, Lee said Silicon Valley would not be what it is if not for America's willingness to import the talent it needed to create the world's largest technology hub.

"If you look at Bill Gates... he's not really depending on himself but very hardcore, capable and experienced young men he has gathered in the past," Lee said referring to the Microsoft Corp MSFT.O chairman.

But an open economy was only good if it offered adequate investor protection, Lee said.

He said Singapore was business-friendly but not to extent of being corrupt. "That is the premium we have today."

Lee said Indonesia's "political crisis" had made the 10-member Association of South East Asian Nations (ASEAN) a less attractive economic partner of Europe and the United States.

"Together, ASEAN countries have to overcome the crux of the problem, that is to restore international interest and confidence in ASEAN's potential," he said. "We have to do this at a time when Indonesia has yet to overcome its political preoccupations."

He said implementing the ASEAN Free Trade Area by 2003 will make the region more attractive to foreign investment, but it will not be enough and ASEAN will have to revitalise itself. "I do not have any formula to achieve this," he said.

Lee who was Singapore prime minister from its founding in 1959 until 1990, said Malaysia and Singapore had pursued their own paths of development since separating in 1965, and among Southeast Asian states were best prepared for the new economy.

On Tuesday, Lee said after meeting Malaysian Prime Minister Mahathir Mohamad that both Singapore and Malaysia were keen to iron out longstanding problems.

World oil price surge to widen India's current account deficit

NEW DELHI, Aug 18: A recent surge in global crude prices is set to widen India's current account deficit, adding to downward pressure on the rupee, analysts said yesterday, reports Reuters.

"They said the 2000/01 (April-March) not oil import bill could jump to $16 billion from $12.3 billion the previous year if the current firm trend in global crude prices continued.

The impact on the current account will, however, be cushioned by strong export growth, particularly of software and related services, analysts added. India's current account deficit in 1999/2000 was $4.16 billion.

Crude prices have been on the rise since early this year and hit a 10-year high on Wednesday, prompting fears among some analysts that India, which imports a large portion of its crude requirements, could be heading for an external payments problem.

Besides higher prices, India's import requirements have also increased. In 2000/01, the country is expected to import around 85.24 million tonnes compared to around 57.81 million a year earlier.

Currency traders are worried that the firm trend in prices will push up importer demand for dollars in a market which is already short in supply of the US currency adding to fresh downward pressure on the Indian currency which hit record lows last week.

"If oil prices continue to be firm the pressure on the rupee will continue," said V Ravikumar, chief foreign exchange dealer at ABN Amro Bank in Bombay.

Ravikumar said policy changes towards oil imports would also add to pressure on the rupee as demand would be less staggered.

"In the past when crude imports were controlled by the government we used to get suppliers credit on the strength of sovereign rating and this eased the pressure on the market," he said.

Private refiners are now allowed to import crude directly. Earlier, all imports were routed through state-run Indian Oil Corp IOC.BO.

Some currency traders suspect this change could be behind the recent bunching of import dollar demand which has hammered the rupee.

Since January, the rupee has lost slightly more than five per cent against the dollar after depreciating by around only two per cent in the whole of 1999. It closed at a new low of 45.89/90 per dollar on Thursday compared with 43.50 at the start of the year.

The currency's fall came despite a stack of central bank measures to check its slide.

These have ranged from depleting its foreign exchange reserves to improve dollar supply, tightening domestic money market liquidity and pushing up short/term interest rates.

Analysts see respite for the current account from strong exports growth.

India's merchandise exports, which excludes software, grew 27.65 per cent year-on-year in April-June to $10.19 billion, and analysts hope this will be sustained in the coming months.

"Normally, both imports and exports pick up in the second half of the year," said a Singapore-based economist with an investment bank.

S'pore, NZ strike preliminary free trade deal

SINGAPORE, Aug 18: Negotiators from Singapore and New Zealand reached a preliminary agreement Friday on a free-trade agreement that will lower barriers to trade and investments between the two countries, officials said, reports AP.

The agreement, which still needs approval from the countries' Cabinets, is likely to be signed in late September and take effect early next year, Singapore's Trade and Industry Ministry said.

The pact will help bring Asia-Pacific markets and together and "hasten global free trade," the Singapore ministry said.

White House travel cost exceeds $292m

WASHINGTON, Aug 18: The 159 foreign trips made by President Bill Clinton -- the most widely traveled American president -- and other administration officials since 1997 have cost US taxpayers at least $292 million, according to a report published Friday, says AP.

A General Accounting Office review of the administration's travel expenses said that most of the costs were paid by the Pentagon, which provides the two jetliners that serve as Air Force one and other aircraft.

The GAO study, which was obtained by The Washington Post, was requested by six Republican Party senators, most of whom declined to comment until the study is made public.

However, one of the lawmakers, Sen. Jeff Sessions, called the costs "exorbitant."

A Clinton spokesman accused the Republicans of requesting the report for political purposes. The White House said the type of expenses were similar to the expenditures of other administrations.

The GAO said that Clinton's 27 trips during the last three years account for 85 per cent, or $247 million, of the total aircraft cost, the Post said. Next week he plans to fly to Africa.

The Post said the Republican lawmakers did not request comparable data on other administrations.

The report is schedule for release next month.

Japan's electronics giant Sony unveils the world's smallest and lightest portable mini disk player "MD Walkman MZ-E900" at the company's head office in Tokyo on Friday. The MZ-E900, measuring 77.7 x 12.7 x 71.0 mm and weighing only 58g, enables to play a maximum 320 minutes with long-playing mode. Sony will put it on the domestic market on September 10 with an estimated price of 30,000 yen (275 USD). –AFP photo

Roche first half profits up 13 pc

BASEL, Switzerland, Aug 18: Swiss drug giant Roche reported a 13 per cent rise in first-half net profit to 2.98 billion Swiss francs (1.74 billion) Thursday, says AP.

The figures were adjusted to reflect changes in accounting standards and to exclude a 3.9 billion franc ($2.3 billion) windfall from sales of shares in the San Francisco-based company Genentech, the company said.

First half sales reached 13.7 billion francs ($ 8 billion), an 11 per cent rise on the adjusted figures for the same period last year.

Roche said it anticipated a good full-year result in 2000, with its diagnostics division's sales "growing well ahead of the market" and vitamin division sales rising.

In early trading in Zurich, Roche shares were down 2.3 per cent at 16, 015.

Roche said it expected its drug Tamiflu to be approved in Japan in time for the next influenza season, with European authorisation next year, Pegasys, a drug for treating Hepatitis C, will be launched in the United States next year.

An employee demonstrates the use of a StarHub public phone in getting access to Internet in Singapore on Friday. From StarHub's 800 payphones installed across the island state, users can access information on hotels, shopping and product sales. The service, which was launched yesterday, is a world's first. –AFP photo

First project under new Saudi investment law in 6 weeks

RIYADH, Aug 18: At least one of four projects licensed by Saudi Arabia under a new foreign investment law will become operational within the next six weeks, a newspaper reported yesterday, says Reuters.

The Arab News daily quoted Ahmad Al-Fadli, the head of the General Investment Authority's (GIA) licensing office as saying the time frame for starting operations would depend on the nature and requirements of each investment.

All four projects were expected to be up and running within five years, the paper said.

The paper added that the combined investment of the four projects-- two Indian, one Syrian and one Iranian-- amounted to some two billion riyals ($533 million).

It added that the two Indian companies would specialise in oil products new to Saudi Arabia, while both the Syrian and Iranian firms would invest in plastic goods.

The paper did not name the companies.

The GIA was set up in April to provide the mechanism for a new investment law approved by cabinet as part of a drive to reform the Saudi economy, diversify away from oil and attract badly-needed foreign investment.

Saudi Arabia is the world's largest oil exporter and producer and depends on crude income for most of its revenue.

The kingdom announced on Wednesday that it had identified the sectors in its oil-rich economy in which foreign investors would be allowed full ownership of projects under the new investment law, but gave no further details.

Foreign investors and diplomats have said the new investment law is attracting huge interest from potential foreign investors but added that no practical approaches are likely to be made until the GIA pinpoints which sectors will be opened.

The new foreign investment law allows for the first time 100 per cent ownership of projects by foreigners and relaxes rules for sponsoring of foreign employees. It also permits foreign ownership of related property and lowers tax on companies' profits.

Newspapers reported earlier this week that the kingdom had also laid out regulation for foreign ownership of property, allowing for the first time ownership of real estate for personal use. They said these regulations would come into effect from November 9.

Foreigners, who make up at least a quarter of the 20 million population, have previously been barred from owning property in Saudi Arabia.

Currency volatility takes toll on Asian commodity trade

SINGAPORE, Aug 18: Fluctuation currencies across Asia in recent weeks have reduced trading volumes in commodities in the region and hit business confidence, traders and analysts said, reports Reuters.

Wide fluctuations among some leading Asian currencies, including the Thai baht, Indonesian rupiah and Indian rupee have put commodity traders in a dilemma over whether now is the right time to take trade decisions.

Although exporters have every reason to cheer because of falling currencies, which normally boost sales, not all importers are willing to buy.

There is no doubt in my mind that the pace of the decision making process has certainly slowed down to a big extent," a leading commodity trader said.

"Commodity importers and exporters in the past one month or so have slowed down trading, waiting for currencies to stabilise."

Traders said, however, it was difficult to quantify of what extent trade in grains, oils, soyabeans and sugar has been hit because of complexities of the issue.

Indonesia's rupiah has lost some 16 per cent since the beginning of the year. On Thursday, it was quoted at about 8,310 rupiah to the dollar.

The weak rupiah coupled with news from Jakarta that Indonesia may axe its export tax on crude palm oil this month is good news for Indonesian exporters.

But some buyers have also been hit by their own currencies falling, knocking them out of the market.

"I am sure Indonesian edible oil imports will be competitive but if you look at the other side, the currency in India, the leading market for edible oils, has also fallen. I don't think there will be a lot of trading between India and Indonesia," said one leading Bombay-based edible oil importer.

Some commodity traders said Indian edible oil imports had fallen marginally in recent weeks due to a weaker rupee and importers were waiting for the currency to firm before signing contracts.

The Indian rupee ended on Wednesday at 45.69/70 per dollar, about 0.9 per cent stronger than its record low of 46.08 last Friday. The currency has lost some 4.8 per cent against the dollar this year.

While the rupee's fall will marginally boost the domestic sugar industry's efforts to ship out consignments for the first time in three years, it is not enough to offset the already high domestic prices.

"It will take some time before India ships out substantial quantities of sugar. Buyers of Indian sugar will definitely wait for some time for the rupee to strengthen a little before signing some contracts," one Singapore trader said.

The situation is not much different in Thailand. Traders said the fluctuating baht in the world's largest rice exporter had hit business.

"The volatile Thai currency has put more pressure on its exporters. Although they should be selling more as the currency was falling, a fall in global demand and a confused grain buyers market has certainly hit trade," one trader said.

The Thai baht was quoted on Thursday at 40.630/680 to a dollar. It has lost some 7.83 per cent since the start of 2000.

Commodity analysts see no great improvement in the near future.

"I can hardly imagine when the sellers market becomes a buyers market. I don't see a big change happening in coming weeks. At least there is no reason to expect a change," one said.

Japan endorses failed bank sale to Softbank

TOKYO, Aug 18: Japanese financial regulators said the sale of a failed bank to a group led by Internet investor Softbank Corp was back on track and the government was ready to transfer funds to cover its debts, says Reuters.

Japanese Prime Minister Yoshiro Mori endorsed on Tuesday the plan to hand over state-controlled Nippon Credit Bank (NCB) to the Softbank-led consortium, opening up the nation's cosy banking sector to ambitious outsiders, the Financial Reconstruction Commission (FRC) said.

"We have officially set the handover date on September 1, without any changes in the initial terms of the deal," including a controversial special loss-coverage provision, said a spokesman for the FRC, which had postponed the sale for one month.

The FRC postponed the deal after politicians objected to the loss coverage clause, under which the government's Deposit Insurance Corp agrees for three years to buy back NCB loans that have fallen in value by 20 per cent or more.

The same form of loss protection was adopted to facilitate the sale of the long-term credit Bank of Japan, since renamed Shinsei Bank, to US investor Ripplewood earlier this year.

That provision triggered the collapse last month of department store operator Sogo Co Ltd, Japan's second-biggest corporate bankruptcy. Shinsei refused to forgive loans to Sogo, prompting an abortive government bail-out.

The official go-ahead for the NCB takeover, however, failed to inspire traders, with shares in Softbank ending down nearly five per cent, or 540 yen. The Internet investor has lost 84 per cent in value from a mid-February peak amid a steep correction in global Internet stocks.

One market analyst said there were still retail investors who had to realise losses on purchases of Softbank shares made earlier in the year on margin, although the six-month settlement deadline has already passed for those who had bought at its February peak.