The Daily Star BUSINESS

US House okays export plan over EU objections

WASHINGTON, Sept 14: The US House of Representatives yesterday overwhelmingly passed legislation that would overhaul a multibillion-dollar programme of tax breaks for American exporters that threatens to spark a trade war between the United States and the European Union, says Reuters.

The legislation, passed by a vote of 315-109 despite EU opposition, would replace the controversial US Foreign Sales Corporation (FSC) programme with a new scheme offering up to $6 billion a year in tax breaks to big exporters such as Boeing Co. and Microsoft Corp., among others.

Opponents in the House said the bill smacked of "corporate welfare" and complained that it would provide tobacco companies with about $100 million in tax breaks annually.

The legislation is expected to win Senate backing later this month even though the EU says it breaches world trade rules, raising the prospects that Brussels would seek to impose billions of dollars in sanctions on US products. US officials warned that could lead to an all-out trade war between the world's biggest trading blocs.

The Clinton administration and congressional leaders pushed the legislation through the House in response to a World Trade Organisation (WTO) ruling in February against the existing FSC programme in a case brought by the European Union.

In its ruling, the global trade body concluded that the US programme, which doled out tax breaks to exporters through off-shore subsidiaries, was an illegal export subsidy. It gave the United States until Oct. 1 to change it.

Under the legislation approved by the House, Congress would establish a new tax regime under which certain categories of foreign source income would be excluded from US taxation. Unlike the FSC, firms would receive the breaks directly, rather than through offshore tax havens.

Japan leaders upbeat on economy

TOKYO, Sept 14: Japanese leaders were cautiously optimistic today about the prospects for economic recovery, playing down the need for further stimulus spending, says Reuters.

"I expect that the economy will be able to get on a self-sustaining recovery track this fiscal year" ending next March, said Economic Planning Minister Taichi Sakaiya, after his agency stuck to its assessment in a monthly report that the economy continues inching towards a durable recovery.

The Economic Planning Agency said this week that the economy grew at a hefty 4.2 per cent annual rate in the three months to June, after a sizzling 10.3 per cent pace the previous quarter.

But the economy was not as strong in the April-June quarter as the headline gross domestic product figure indicated, with capital spending dropping and growth largely dependent on government spending, an agency official said.

Personal spending, the biggest and persistently weakest chunk of the economy, was up slightly in April-June but the EPA said it has remained flat since then, despite increased purchases of air conditioners, ice cream and beer spurred by a summer heat wave. "People are keeping a tight grip on their purse strings," Sakaiya said.

Japanese media said direct central government spending in the extra budget will be 3-3.8 trillion yen ($28-$35.5 billion), at the lower end of the previously expected range.

Thriving Shanghai thirsty for high-tech professionals

BEIJING, Sept 14: China's largest economic powerhouse, Shanghai, is looking for high-tech personnel all over the world, according to China Daily, reports Xinhua.

To fill the big shortage of workers in the high-tech and education sectors, Shanghai is seeking outside for talents to strengthen its global competitiveness.

The most sought-after are wizards with PhD's who have two years' working experience in the country where they studied, or have a deep knowledge in the cutting-edge high-tech sectors like software, Internet and bioengineering.

A series of new policies is being drafted by the municipal government, in an attempt to lure more global talents in, the paper said.

Meanwhile, the human resource authorities are considering abolishing the retirement ages of 60 for men and 55 for women to make more use of human resources most needed in the high-tech sector.

"Shanghai is not running short of employees, only those possessing advanced knowledge," said Lu Min, deputy director of the China Human Resources Market (Shanghai).

The market is also an agent under the Shanghai Municipal Human Resource Bureau, which is responsible for setting up human resources policy.

US Senate rejects plan to impose sanctions on China

Landmark trade pact set for passage

WASHINGTON, Sept 14: The US Senate yesterday rejected a controversial plan to impose sanctions on China for its alleged role in weapons proliferation, clearing the way for final passage of President Bill Clinton's landmark trade pact with Beijing after months of delay, says Reuters.

Vehemently opposed by the White House and pro-trade business groups, the nonproliferation amendment was seen as the last hurdle facing legislation that would grant permanent normal trade relations (PNTR) to China.

Lawmakers said the amendment's defeat, by a vote of 65-32, puts the trade bill on fast-track to final approval later this week or early next week. "This clears the deck. It was the last hurdle," said Democratic Sen. Max Baucus of Montana, a vocal supporter of the trade bill, which won House of Representatives approval in May.

Once approved by the Senate and signed into law by the president, PNTR legislation would end the annual ritual of reviewing Beijing's trade status and guarantee Chinese goods the same low-tariff access to the US market as products from nearly every other nation.

In exchange for the benefits, China has agreed to open a wide range of markets to US businesses under the terms of an agreement setting the stage for Beijing to join the Geneva-based World Trade Organisation (WTO) later this year.

Supporters of the nonproliferation measure, proposed by Republican Sen. Fred Thompson of Tennessee and backed by Senate Republican Leader Trent Lott of Mississippi, argued that it was needed to keep Beijing arm dealers in check and prevent nations like Iran, Libya and North Korea from acquiring nuclear weapons.

China is "engaging in activities that pose a mortal danger to the welfare of this country," Thompson said in urging senators to support the amendment, which called on Washington to impose sanctions on Chinese firms that proliferate nuclear, biological or chemical weapons.

North Carolina Republican Sen. Jesse Helms accused Beijing of helping "tyrants and despots" acquire new weapons technology "which ultimately can be used to kill Americans."

But Thompson faced stiff opposition after the White House and big business warned that the arms amendment could spark a backlash from Beijing, punish US and European companies and doom permanent normal trade relations for the year.

"It would hurt America more than it would punish China," said Republican Sen. Phil Gramm of Texas. Democrat Joseph Biden of Delaware said Thompson's plan was a "serious foreign policy mistake."

Ahead of the vote, Chamber of Commerce President Thomas Donohue even suggested that senators who supported Thompson would face a backlash from business in the November election.

If Thompson's or any other amendment was adopted by the Senate, the China trade bill would have to be sent back to a bitterly divided House. The House approved the trade bill after a heated battle between organised labour and big business, but is unlikely to do so again so close to the November election, many lawmakers said.

President Clinton has made passage of permanent normal trade relations for China a top legislative priority for his final year in office.

There is little doubt over the outcome of the final Senate vote, which could come as early as Thursday.

According to a Reuters poll of the 100-member Senate, 69 lawmakers said they would support or were likely to support permanent normal trade relations, more than enough to override a vote-blocking filibuster and ensure final passage.

Before putting the nonproliferation plan aside, the Senate rejected an amendment that would have helped US companies and workers cope with increased imports from China.

ECB move to sell interest on reserves jolts euro up

LONDON, Sept 14: The euro leapt today as the European Central Bank jolted the market by saying it would sell interest earned on its foreign exchange reserves and buy the single currency, reports Reuters.

Such transactions would not count as open intervention in the foreign exchanges, a point made by the ECB in its statement. Still, the clearly flagged decision to sell foreign currencies for euros would end up achieving the same goal, analysts said.

"Even though they don't call it intervention, it's a form of intervention because of the way they've actually presented it," said Jesper Dannesboe, chief foreign exchange strategist at Dresdner Kleinwort Benson in London.

The euro jumped as high as $0.8738 EUR.

In the wake of the ECB announcement, rescued from the brink of record lows below $0.8550 hit this week which had been some 27 per cent below the levels at its birth in 1999.

The single currency also soared against the yen, surging to one week highs near 93.50 yen EURJPY which were nearly three yen above record lows set on Tuesday.

Although analysts were divided about the long-term effect of the ECB's announcement on the market, many thought it could the central bank's answer to criticism about its currency policy had amounted to "Benign neglect."

"It is the first indication of the ECB doing something about the euro's slide," said Neil Mackinnon, senior currency strategist at Merrill Lynch in London.

"I would suspect that in the event of its failure, you could expect further intervention."

The ECB said its forex reserves were up by 2.5 billion euros since the start of 1999, mainly from interest income.

It said the sales of interest income would be spread "over a number of days" and would maintain the structure and risk profile of the ECB's balance sheet but the sales of foreign currency were already underway by the European midsession.

Recent data from the European Central Bank shows foreign currency reserves of central banks in the 11-nation euro zone totalled 260.9 billion euros at the end of the week ending September 8.

The euro also got a boost from talk the ECB may raise interest rates by 25 basis points later on Thursday, even though all 55 economists polled by Reuters this week expected no change in the minimum refi rate from its current 4.5 per cent.

"The argument for a rate hike is the weak euro and high oil prices, although I do not think they are going to hike," said Fabio Fraschetti, currency strategist at Banca Nazionale del Lavoro in London.

Traders were also focused on the ensuing news conference at 1230 GMT, for any comments by ECB President Wim Duisenberg.

The ECB announcement overshadowed concern about capital flows out of the euro zone, but such themes were expected to return to the forefront in the coming days if the euro did not respond to the ECB's rescue plan.

Danish opinion polls showing euro opponents led supporters, which had undermined the euro earlier in Europe, could also count against the single currency in the coming weeks, analysts said.

A moneychanger converts dollar notes to its Philippine peso equivalent in Manila yesterday, a day after the Filipino currency plunged to its lowest level against the greenback at 45.69. Monetary officials say they are keeping their options open and could sell dollars in the spot market to prevent a further drop in the currency.
– AFP photo.

Microsoft in alliance with Infosys

NEW DELHI, Sept 14: Microsoft Corp. Thursday announced an alliance with India's emerging information technology giant, Infosys Technologies, for developing and delivering a portfolio of Infosys business solutions on the Microsoft .Net platform, says AP.

Microsoft's .Net strategy involves software built on Internet standards, enabling better interaction between various Web sites and Web users.

The announcement was made by Microsoft Chairman Bill Gates and NR Narayana Murthy, Chairman and CEO of Infosys, at a press conference in New Delhi.

"We realised that the destinies of the companies have a lot in common. I think it is a great example of how far both companies have come," Gates told reporters at a press conference in New Delhi.

Based in Bangalore, the $200 million Infosys is India's leading information technology company, employing more than 5,500 software professionals worldwide. It was listed on the Nasdaq stock exchange in March 1999.

"The relationship combines Infosys' proven solution development enterprise with the scalability and reliability of Microsoft's platform to enable the delivery of robust, cost-effective e-business solutions to customers," a statement issued by the companies said.

Infosys and Micosoft will develop business solution offerings in areas such as customer relationship management, electronic-commerce, financial services, insurance and retail, the statement said.

It didn't mention the monetary aspect of the tie-up.

Gates is on a daylong visit to India. Earlier Thursday, he reviewed development projects by the Bill and Melinda Gates Foundation and will later meet Indian officials.

Microsoft co-founder Bill Gates (R) shakes hands with Infosys Chairman and CEO MR Narayana Murthy after exchanging documents during a function in New Delhi yesterday. Gates, during a 24-hour visit to India, announced an alliance with the Indian IT giant for product development consultancy and joint market development in India.
– AFP photo.

German economy continues to gain momentum

FRANKFURT, Sept 14: Germany's economy gained further momentum during the summer months, with the domestic market now starting to help propel the growth, the country's central bank said today, reports DPA.

In its monthly report for September, the Bundesbank said that after a projected real growth of 3.5 per cent in the first half of 2000, the upswing has continued so that "the domestic economy has also picked up momentum."

It noted however that exports continue to be the main factor in growth.

The Bundesbank's monthly report also said that the German banking sector in 1999 wound up earning less money than the year before despite rising share prices and higher interest rates.

It said that while earnings on commissions had developed very favourably for German banks, "the surpluses in the interest rates related business and in own-account trading stagnated". At the same time, operating costs rose strongly.

US House fails to override Clinton's marriage tax veto

WASHINGTON, Sept 14: House Republican leaders yesterday failed to muster the two-thirds majority needed to override president Bill Clinton's veto of a bill that would have cut taxes for all married couples, says Reuters.

The House voting 270-158, fell 15 votes short of the two-thirds necessary to overturn the veto. The vote came as no surprise. It was the second time in a week Republicans who control Congress failed to overturn a Clinton tax cut veto. Last week the House was unable to override Clinton's veto of a bill eliminating estate taxes.

With hopes of a big election-year tax cut victory gone, Republican leaders have urged Clinton to use most of next year's budget surplus to pay down the nation's debt.

"We know what the writing on the wall is," Speaker of the House Dennis Hastert said of the House failure to override the two Clinton vetoes. "We need to make sure we continue to pay down the debt. That's been one of our objectives all the way along the line. So it's not a retreat at all."

The White House and congressional Democrats have reacted sceptically to the Republican proposal.

"On the same day they try to override a presidential veto ... they are now also talking about the merits of debt relief in a classic case of tying to have it both ways," White House spokesman Joe Lockhart said after the vote.

Republican leaders urged Clinton at a White House meeting on Tuesday to set aside 90 per cent of next year's budget surplus to help pay down the $3.3 trillion in US debt held by private investors.

L N Sil, Executive Director of Barind Multipurpose Development Authority, delivers his speech as chief guest at the seminar jointly organised by Aptech Computer Education and Barind Multipurpose Development Authority, Rajshahi. Also seen (from left to right) are Rezaul Alam, Project Director, Aptech Computer Education Rajshahi, and M Mahfuzur Rashid, Regional Placement Head, Aptech Worldwide.
– Aptech photo

Aptech IT seminar held in Rajshahi

A seminar was organised for the engineers and executives of Barind Multipurpose Development Authority, Rajshahi, at the Barind Bhaban Auditorium on Saturday, says a press release.

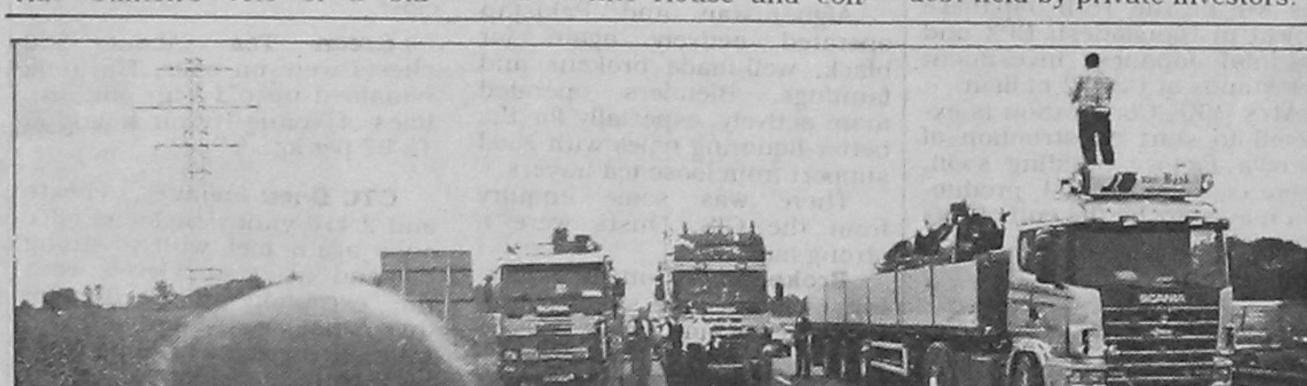
The seminar was held in association with Aptech Computer Education-Rajshahi Centre to create IT awareness among the professionals. More than 100 officials of the project from different districts were present.

L N Sil, Executive Director of Barind Multipurpose Development Authority, was the chief guest and M Mahfuzur Rashid, Regional Placement Head of Aptech Worldwide, was the special guest at the seminar.

Speakers at the seminar dwelt upon the need of quality professionals in every filed of IT operations.

Rezaul Alam, Project Director of Aptech Computer Education-Rajshahi centre, spoke of the need for huge IT professionals for his project in Rajshahi.

The seminar was concluded by a lively question and answer session.



A truck driver takes a snap of his truck and colleagues during a blockade of the highway at Tiel, near Nijmegen, Wednesday. The truck drivers blockaded several highways for a short time, protesting against high fuel prices.
– AFP photo.

GM to double its stake in Suzuki

TOKYO, Sept 14: US automaker General Motors Corp. said Thursday it will invest $ 600 million in Suzuki Motor Corp., doubling its stake in the company to 20 per cent and marking the latest inroad by a foreign automaker in the Japanese market, says AP.

Under the deal, GM Chairman Jack Smith will join Suzuki's board, becoming the first outsider and GM representative to do so. The US company's investment will be made primarily by issuing new shares, the companies said in a joint news conference.

GM's increased stake will support the development of an extended model lineup based on the new Chevrolet YGM-1 passenger car, other new joint vehicle projects, and manufacturing and distribution initiatives.

SA govt, unions seek to end civil wage impasse

JOHANNESBURG, Sept 14: The South African government today resumed talks aimed at ending a four-month-old wage impasse which threatens to spark a national strike by the country's biggest state employee union, says Reuters.

But a spokesman for the National Education Health and Allied Workers Union (NEHAWU) said recent comments by South Africa's Public Service minister could scupper the negotiations before they even began.

"I expect nothing from 'today's talks. In fact we expect them to collapse because we know there is nothing new that the government is going to offer," said Molonto Molaba, from the 240,000-member NEHAWU.

NEHAWU is the largest of 12 public sector unions pressing President Thabo Mbeki's administration for more pay and better service conditions for the country's 1.1 million state employees.

"The meeting with the unions is going ahead. The goal is to find a settlement," government spokeswoman Tembela Kulu told the news agency.

Only nine unions would attend Thursday's talks after three others – including NEHAWU – dropped out of negotiations last week, accusing the government of lacking the commitment to address their demands.

Molaba said he expected that a conciliator would be appointed to resolve the dispute with the three unions that have stopped negotiating with the government.

Oil to stay high this yr: Kuwait

Blockades continue in Europe; stations short of fuel

DUBAI, Sept 14: Kuwait's Oil Minister Saud Nasser al-Sabah was quoted yesterday as saying oil prices would continue to rise this year with the approach of winter, but might decline at the beginning of next year, says Reuters.

Sheikh Saud also said in an interview with the Saudi-owned pan-Arab al-Hayat daily in Paris where he is holding talks with French officials that Kuwait did not have the capacity to produce at its new quota agreed at the OPEC meeting in Vienna.

Members of the Organisation of Petroleum Exporting Countries agreed at a weekend meeting to raise production by 800,000 barrels per day from October 1, but the move failed to calm soaring oil prices.

"It is normal from now on for the oil price to continue the trend of rising, especially that winter orders are coming in ... The rise in prices will continue with the increase of demand in winter and prices may stabilise or start to decline in January or February," he said.

"The capacity of OPEC to increase production is very limited .... we have reached our maximum production capacity," he added.

"There is no way to talk about increasing production from any source to bring prices down because prices will only come down with a decrease in taxes (by Western consumer nations)," he said.

He said only Saudi Arabia and the United Arab Emirates had a margin of extra production capacity.

"We in Kuwait received an extra production quota of 64,000 barrels per day, but we do not have the production capacity to do that," he added.

"Kuwait does not have an extra production capacity and we are currently producing at maximum capability because we have problems at some gathering centres and we cannot increase one barrel to what we are producing," Sheikh Saud added.

Asked if the next OPEC meeting in November would agree to increase production if prices remained high, the Kuwait oil minister said.

Another report from Brussels says: Truckers protesting high fuel prices tightened their grip across Belgium today, with some businesses and schools forced to shut down and commuter traffic brought to a standstill.

Blockades which began on Sunday were extended nationwide and authorities said several hundred petrol stations were out of fuel and public transport was being hit.

Truck drivers, who want cuts to excise duty on diesel, inflated by recent increases in world crude oil prices, were joined in their action by bus and taxi drivers. Belgium is one of several European countries hit by the protests.

Union representatives called a halt to marathon talks with the government in the early hours of Thursday to examine draft social and fiscal measures aimed at easing the burden of rising fuel prices.

But the Professional Road Transport Union (UPTR), which has led the protests, rejected the offer and vowed to keep a stranglehold on key routes throughout the country until taxes were reduced.

Meanwhile, a report Hanover adds: Hundreds of German truckers, farmers and taxi drivers jammed traffic in the northern city of Hanover today in the latest protest against sharply increased fuel prices.

The main A44 motorway into Belgium from Aachen was blocked for a second day by trucks on the Belgian side.

More protests were expected in Magdeburg, although strict penalties for unauthorised pickets meant that truck blockades such as those seen elsewhere in Europe were unlikely.

Some 500 trucks, taxis and tractors moved in a slow, hooting procession through Hanover, Chancellor Gerhard Schroeder's home town, demanding his centre-left government scrap new fuel duties to ease the pain of high world oil prices.

Many of the truckers were self-employed small businessmen, complaining higher costs were squeezing their profit margins as they were unable to pass on the increases in a very tight market.

Indonesia, S'pore agree 20-year gas contract

JAKARTA, Sept 14 Indonesia's state-owned oil and gas company Pertamina has agreed with Singapore-based Gas Supply Pte Ltd, on the details of a seven-billion-dollar gas supply contract from Sumatra island to Singapore, a report said according to AFP.

The 20-year contract containing the particulars and the full deal, the outlines of which were agreed on last August 29,' will be signed by both companies next month, Pertamina exploration and production director Gatot Wiroyudo was quoted by the Jakarta Post as saying.

"It is expected that this agreement, together with its supporting agreements, including gas supply and transportation, will be executed on or before November 15, 2000," Wiroyudo said.

Under the agreement, Pertamina would supply between 150 and 350 million cubic feet of gas per day to the Singaporean firm, a wholly-owned subsidiary of Power Gas Ltd, for 20 years starting in the year 2003, the official said.

"The total contract quantity will generate an income in excess of seven billion dollars", he said.

The gas would come from fields in Central and South Sumatra operated by Gulf Indonesia Resources Grissik, Santa Fe Energy Resources Jabung and Gulf Indonesia Resources South Jambi.