

Indian bank staff go on strike against privatisation move

Cash transactions come to a halt

BOMBAY, Dec 21 : India's banking sector was paralysed Thursday by a one-day nationwide strike to protest against government moves to privatise state-owned banks, says AFP.

The strike, called by the United Forum of Bank Employees, involved nearly 1.3 million employees in public sector banks, the State Bank of India, foreign banks and rural banks.

"The strike is total. We are determined to oppose privatisation," Suresh Dhopeshwarkar, secretary of the All India Bank Employees Association (AIBE) told AFP.

The strikers marched through

shouting slogans against the government's move to reduce its equity in 27 state-owned banks from 51 percent to 33 percent.

A spokesman of the Indian Banks Association said the strike had hit banking operations across the country.

"Many bank branches are open, but there are virtually no cash transactions taking place," the spokesman said.

The draft legislation outlining the equity reduction was introduced in parliament last week, despite protests by opposition MPs and labour unions.

Although Finance Minister Yashwant Sinha has promised the government will maintain control over the banks, the

workers fear the legislation will lead to private control and job losses.

India has announced that no single group will be allowed to hold stakes in the state-owned banks of more than one percent, even after the government reduces its equity holdings.

Dhopeshwarkar said unions were unconvinced of the government's sincerity.

"Industrial and business houses can negotiate around the one percent limit by putting in place thousands of dummy shareholders in a bank's stock. This is common practice among listed companies in India," Dhopeshwarkar said.

trial houses, which had loan defaults of between 11 billion and 12 billion dollars with the state-owned banks, were trying to push through the legislation as it would provide them with an escape hatch.

The government says the sale of equity in the banks will help raise much needed funds for their expansion.

Bank employees went on strike across the country last month to protest against the privatisation move.

Labour union leaders warned there would be more strikes next month if the government went ahead with its plans.

Tata-SIA, Air France, Delta Air in reckoning for Air India stake

NEW DELHI, Dec 21 : India's Tata Group, Singapore Airlines, Air France and Delta Airlines all figure in a pruned list of bidders for a 40 per cent stake in Air India, officials said Thursday, says AFP.

Industry officials said steel magnate L.N. Mittal, who has a technical alliance with British Airways and Qantas, had also crossed the first hurdle.

Up to a dozen bidders were initially believed to be in the race for the slice of the state-owned international carrier, but New Delhi announced last week that three had been disqualified because they did not fulfil all the requirements.

The Indian government has not officially named the firms on the shortlist or those which have been crossed out, but an official confirmed the bid by an Air India pilots' union had been rejected.

The government hopes to sell a 60-percent stake in Air India, which has piled up losses of 10 billion rupees (230 million dollars) in the past five years.

Fourty percent will be sold to a "strategic investor" -- which would include a maximum 26-percent stake for a foreign airline -- and 20 percent to employees and financial institutions.

New Delhi also plans to sell 26 percent of its equity in Indian Airlines, the state-run domestic carrier.

The government had announced the qualified bidders would be issued a confidentiality agreement and given until January 31 to submit technical proposals and business plans.

A final decision was originally expected to be made by the end of March, but officials said this was almost certain to be delayed until the summer.

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Air India's privatisation has attracted strong interest because the airline has landing rights in key cities in Europe, the United States and the Middle East.

Besides the Tatas, the Hinduja group also confirmed it had received the confidentiality agreement and said it was in talks with unspecified foreign airlines over a bid.

Sources said a consortium comprising Air France and Delta Airlines had qualified for the next round and was looking for an Indian partner.

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newspapers as saying that Air France had a very strong interest in Air India.

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Experts say any airline which acquires a stake in Air India would be in an strong position globally because routes over India provide a corridor between Asia and Europe.

Air India has an ageing fleet of 26 aircraft and is currently unable to fly on many of the routes for which it has landing rights.

S'pore-German consortium to invest in China

SINGAPORE, Dec 21 : The Government of Singapore Investment Corporation (GIC), local bank United Overseas Bank Ltd. (UOB) and Germany's insurance and financial firm Allianz Group have agreed to invest in China's burgeoning asset management market, a joint statement said Thursday, says AFP.

"Although growth could very well come out positive depending on the indices for November and December, today's data dims the prospects for strong growth," Mamoru Yamazaki of Barclays Capital said in a note to clients.

GDP growth, Yamazaki said, was likely to stay roughly flat.

Darrel Whitten of ABN AMRO said signs of a pick-up in the economy might not emerge until the middle of next year.

The growing economic headwinds spell more bad news for the Tokyo stock market, which in turn could hurt the economy.

Battered by an overnight slide in the tech-heavy Nasdaq index in the United States, the benchmark Nikkei average slid 5.0 per cent at mid-afternoon to its lowest level in 23 months.

A MITI official said weakness in share prices could weight in coming months on the financial services industry -- one of the few bright spots in Thursday's report.

Malcolm of JP Morgan agreed. "Although there is no clear sign of activity collapsing in the near term, downside risks to the economic recovery going forward are continuing to

increase on the back of further weakening in equity prices," he said.

The MITI official told reporters that a 0.1 per cent gain in October in the ministry's index of the tertiary-sector, which accounts for 60 per cent of the all-industries index, showed the gradual recovery in Japanese industry remained intact.

Hiroshi Inagaki, an economist with Fuji Research Institute, also voiced cautious optimism. Although industrial output probably peaked in the April-June quarter, the information technology sector was likely to lead a corporate revival.

"Basically, business activity in the Japanese economy continues to improve," Inagaki said.

But other economists were not so sure.

"If we see a decline in demand for telecommunications services, in combination with a slowdown in industrial production, that would suggest we're going to see the all-industry output measure itself peak and also probably a very flatish or down picture for GDP in the near to medium term," Matthew Foggi of Lehman Brothers told Reuters Television.

The Ministry of Finance on Wednesday unveiled a draft budget for fiscal 2001/02 that aims to put the economy finally back on track after a decade of sub-par growth.

Under the proposed venture, UOB and Allianz will each hold a 40 percent stake with GIC Special Investments, GIC's private equity investment, taking the remaining 20 percent.

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"With the support of all three institutions, we are confident of success in growing our asset management business in the PRC (People's Republic of China)," he said.

In September, UOB and Allianz agreed on an equal partnership joint venture to invest in China but have now expanded it to include GIC, the state agency responsible for managing Singapore's foreign reserves in global investments.

The alliance is now searching for a Chinese partner to form the company, as required by financial regulations in China.

"We are currently looking at a number of potential PRC partners and are planning to combine our know-how with local expertise and distribution," said Joachim Faber, a member of the board of management at Allianz.

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