Business builds the nation

BUSINESS TIMES

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BUSINESS DIGEST

RIL's expansion plans on schedule

New Delhi: Reliance industries Ltd's (RIL) Rs 5,500-crore expansion plans at Jamnagar in Gujarat are ahead of schedule according to a press release issued by Reliance here on Monday. After the expansion is complete the company's overall production capacity will increase from the current level of 6 million tonnes per annum to over 9 million tonnes per annum —a rise of 50 per cent. (BT Bureau)

NHAI Act to be amended

New Delhi: The surface transport ministry is likely to move an amendment in the National Highways Authority (NHAI) Act in the current Parliament session to create a dedicated road fund. The money collected from the proposed cess on diesel would flow into the separate dedicated fund, official sources said. The one rupee cess on petrol per litre amounting to Rs 790 crore annually, imposed in the last budget, will also go into dedicated fund. (PTI)

Majority stake in Telco arm: Tata

Mumbai: Telco chairman Ratan Tata said on Monday the company would retain majority shareholding and management control over the construction equipment business being carved out as a subsidiary from Telco. Discussions are on with two to three potential foreign collaborators including Hitachi for inclusion as a minority joint venture partner in Telco Construction Equipment Company Ltd, Mr Tata told the EGM, where the shareholders approved the proposal to hive off the business segment into a separate subsidiary. (PTI)

Crude import from UAE to go up

New Delhi: India is interested in enhancing import of crude from the UAE during 1999-2000 from the current level of four million tonnes a year. This was stated by petroleum minister VK Ramamurthy during his discussions with his UAE counterpart Obaid Bin Saif Al-Nasiri, who is leading a nine-member delegation to India. Mr Ramamurthy also said IOC would like to participate in the setting up of a terminal jetty at Hamariyah free-trade zone by the Emirates National Oil Company as a joint venture company for leasing, trading and captive use of petroleum products. (BT Bureau)

Greaves to make small tractors

New Delhi: Greaves Ltd has tied up with two Chinese companies to manufacture small tractors (power tillers) and plans to sell the product at one third the price of a normal tractor. The small tractor will be launched across the country in April next year and have a price tag of about Rs 95,000, company sources said. The power tiller, fitted with a 4.3 horse power four-stroke engine, will be able to do all kind of work that a big tractor can perform, sources said. (PTI)

Symantec ties up with Godrej Pacific

Mumbai: California-based Symantec Corporation, a leader in utilities software for business and personal computing, has tied up with Godrej Pacific Technology Ltd (GPTL) for wider access to the domestic market. "India is a priority market for Symantec with huge growth potential," Symantec Corporation vice-president Garry Sexton said adding that the company expects to double revenue growth every year. (PTI)

RUPEE VALUE

	Currency		Travellers Cheques	
	Buy	Sell	Buy	Sell
US $	41.50	43.10	41.75	42.85
UK £	67.20	69.75	67.55	69.40
DM	23.10	24.30	23.30	24.10
A $	26.10	27.55	26.40	27.40
C $	26.90	28.85	26.40	—
F Fr	6.80	7.35	6.90	7.25
HK $	5.15	5.60	—	—
Lire (100)	2.25	2.45	—	—
Yen (100)	33.30	35.50	33.60	—
K Dinar	131.35	139.80	—	—
S Rial	10.80	11.55	—	—
S $	23.45	25.00	—	—
S Fr	28.15	29.65	28.40	9.50
UAE Dh	11.05	11.95	—	—

Source: Thomas Cook

President asks Govt to enforce fiscal discipline

Business Times Bureau


K R Narayanan

NEW DELHI: Concerned over mounting fiscal deficit, President K R Narayanan on Monday asked the Union and state governments to restore the country's financial health even as he set a target of an annual gross domestic product (GDP) growth rate of 6.5 per cent.

"This (restoring financial health) calls for tight control over wasteful and low-priority expenditure and determined efforts to mobilise resources, including appropriate cost recovery policies," Mr Narayanan said in his address to the Parliament.

The government was formulating a new national policy on agriculture to strengthen the sector and agro-based industries. It would focus specifically on raising food production in the country's vast rain-fed areas, eastern and north-eastern regions, he said.

An action plan to make India a major centre for hardware design, manufacture and exports was also on the anvil, the President said adding government had already taken several measures to boost software development and achieve an export target of $ 50 billion by 2008. Besides, the government planned to unveil major initiatives to promote computer training and information technology-based education.

Stating that a group on telecommunications was finalising a new telecom policy, he said the technological upgradation fund (TUF) to modernise weaving and processing sectors of the textile industry would be launched from April 1.

Mr Narayanan said a bill to amend the Essential Commodities Act, 1955 to check hoarding and black-marketing more effectively would be introduced during the current session of Parliament.

The President added, that the Insurance Regulatory Authority Bill was intended to strengthen the insurance sector, which would enable the country to seize opportunities thrown up by globalisation. Similarly, several steps have been taken to revitalise the handloom, handicraft and small-scale industries sectors. The government has delicensed industries like coal, lignite, petroleum products, sugar and certain bulk drugs. It has also liberalised technology imports by allowing automatic clearance for projects that have a poor track record. This will give the required impetus to strengthen the economy, he observed.

Referring to the national agenda for governance the President said Indian economy had to face adverse situation owing to general slowdown of global economy.

"This led to fall in capital flows to emerging markets. Many inherited bottlenecks in the domestic economy compounded these external challenges," he said.

Pointing out the severe strain on finances of Union and state governments, Mr Narayanan said the aggregate general government deficit had increased in recent years. "Besides having inflationary potential, this is causing severe consequence for interest rates, investment and growth," he stated.

On government's accession to the Paris convention for protection of industrial innovations and patents, he said it would improve the industrial climate by increasing information flow, provide better protection for Indian inventors and encourage technological development.

'The time has come to bite the bullet'


Deepak Nayyar

***Deepak Nayyar**, professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University, and former secretary, ministry of finance and former chief economic advisor, government of India, tells **Navnita Sarma** that the government should sort out the fical mess and the budget can, at best, only be a complement to a long-term view.*

AHEAD OF THE BUDGET

On the current economic situation: The state of the economy provides cause for concern. Growth has slowed down. Exports are at a standstill. Investment has slumped. And, government finances are in a mess.

On the challenges facing the economy: The fundamental challenge is that, after more than 50 years of freedom from colonial rule, we are unable to meet the basic needs of 350 million people who live in poverty. And the poor do not even have food and clothing, let alone shelter, health care and education.

In fact, the number of poor people in the country today is larger than the population of India at the time of independence.

How can the budget tackle these challenges?: This fundamental problem is often forgotten in the short-term character of the Union budgets. A long-term perspective of development objectives is essential.

The budget can, at best, be a complement to, or part of, a long-term view but cannot be a substitute for it.

Yet, the budget can make an important contribution if it stimulates investment, revives growth and restrains inflation.

What should be the main objectives of the budget?: The budget should sort out the fiscal mess. In fairness, we must recognise that the situation is not new. It has persisted for 10 years. Although there has been an ostensible attempt to resolve the problem, the fiscal crisis in the late 1990s runs deeper than it did in the late 1980s. The solutions, I believe, have compounded the pro-blem.

And when the crunch comes, the fiscal crisis could spill over into an unmanageable balance of payments situation and an acceleration in the rate of inflation. We know that from our experience in 1991. This time round, however, a recovery will be much more difficult.

Why has the fiscal deficit gone out of hand?: The government is living beyond its means year after year. And it borrows to bridge the gap between income and expenditure. But the size of the fiscal deficit is the symptom and not the disease. The real issue is the use to which borrowing is put in relation to the cost of borrowing.

So long as borrowing is used in a manner that yields a higher return than the interest payable, the borrowing is sustainable.

The reality in India is worrisome, the proportion of total borrowing by the central government which was used to support its cons-umption expenditure rose from less than one-third during the second-half of the 1980s to more than one-half during the 1990s.

What is more, the cost of government borrowing rose significantly in the 1990s.

How should the deficit be tackled?: I believe, a reduction in the fiscal deficit cannot suffice. It is much more important to reduce the revenue deficit as a proportion of the GDP.

For this, it is essential to increase the income of the government. I recognise that this is easier said than done. But the time has come to bite the bullet.

On the thrust areas of the budget: First, public investment in infrastructure (energy, transport, communications) should be stepped up, because sufficient private investment, whether domestic or foreign, is not forthcoming.

Second, resources must be found for public expenditure in social sectors (housing, health, education, water, sanitation) and anti-poverty programmes.

Third, interest rates should be reduced to revive private investment.

On what the budget should not do: We must say no to quick-fixes. The budget must resist the temptation of accounting devices, window-dressing and creative arithmetic (overestimate revenue and underestimate expenditure). The budget must resist the lure of short-cuts such as asset-sales or drawing on the OCC surplus, which can only postpone the problem.

What should the budget do?: I would suggest two simple rules of the thumb.

First, the government should not increase expenditure by more than the increase in its revenue.

Second, the government should ensure that its total borrowing used to support consumption expenditure (the revenue as a proportion of fiscal deficit) is reduced.

Industry hails formation of Indo-Pak chamber

Business Times Bureau

NEW DELHI: The Federation of Indian Chambers of Commerce and Industry (FICCI) said on Monday that an excellent beginning towards promoting better trade and economic relations between the two countries had been made with the decision to form an Indo-Pak Chamber of Commerce and Industry.

FICCI president Sudhir Jalan told newspersons in the Capital following his return from Pakistan that as a first step towards paving the way for wider ties between India and Pakistan, FICCI has suggested that visa restrictions on both sides should be eased. He said the joint chamber will work towards removing quantitative restrictions on 2,000 commodities from India and 500 commodities from Pakistan.

The chamber has said the opening of the Wagah border in Amritsar will promote the free flow of goods and services between the two countries. It has suggested to the Federation of Pakistan Chambers that there should be a reduction of import duties on exchange of goods.

Mr Jalan said although the trade between the countries total Rs 650 crore today, a FICCI study estimates it will touch nearly Rs 3,500 crore in three years time if restrictions in trade; policy impediments and uncertain political conditions change. The unofficial trade between India and Pakistan stands near $ 1 billion which is five times of the official trade ($ 200 million).

The items being imported through third country channel include textiles machinery, spares and equipments, tannery equipment, machine tools, chemical goods, alcoholic beverages, and video tapes. The presence of this large volume of unofficial trade is a pointer to the tremendous trade potential existing between India and Pakistan, according to the chamber.

FICCI has also identified eight sectors which have got considerable potential for trade with Pakistan —engineering industry, textile machinery, textiles, automobiles, tyres, chemicals, plastics and tea. The import of products like iron ore, machinery and steel, chemicals and dyes will meet the Pakistan industry's requirement for capital goods, raw materials and other manufacturing inputs at lowest possible cost, says FICCI.

BIG BIZ

"The circus downsized."

CII, Lahore Chamber to form task force

Business Times Bureau

NEW DELHI: Confederation of Indian Industry president Rajesh Shah and Lahore Chamber of Commerce and Industry president Parvez Hanif have agreed to form a joint task force to identify areas of mutual cooperation between India and Pakistan. The task force will give its report within 90 days.

The meeting between the two business leaders took place on Sunday during Mr Shah's visit to Lahore as part of the group accompanying Prime Minister Atal Behari Vajpayee. Mr Shah said the trade between the two countries could reach a level of Rs 10,000 crore by 2003 from the 1997-98 level of Rs 677 crore.

Members of the Lahore Chamber requested CII to take up with the government land route facility for Pakistani products for other SAARC countries—Nepal and Bangladesh. A similar facility could also be arranged for land route through Pakistan for Indian products going to Central Asia.

According to a CII press release, the two chambers will recommend to the respective government easing of visa restrictions and multiple-entry visas (non-police reporting) for business travellers.

The joint task force will study government policy and procedures of both the countries, especially with regard to improving infrastructure facilities and identify sector-specific areas of industrial cooperation, trade enhancement, transfer of technology and joint ventures with a special focus on small scale enterprises.

Depreciation clause may be misused

Business Times Bureau

NEW DELHI: The decision of the government to allow 60 per cent depreciation on commercial vehicles bought for replacement of condemned vehicles during October 1, 1998 and March 31, 1999 will be misused and lead to generation of black money, says former secretary general of the All India Motor Transport Congress Chittranjan Dass. The scheme will be a burden on transporters, he adds.

The scheme of 60 per cent depreciation will also apply on vehicles bought for replacement of 15-year-old vehicles during April 1, 1999 and March 31, 2000, subject to the condition that these being used for a minimum of 180 days or more before claiming depreciation.

In a letter to finance minister Yashwant Sinha, Mr Dass said that instead of giving depreciation concessions to buyers of commercial vehicles, the government should have provided transporters with easy and cheap funds. To facilitate upgradation of technology, he said the government should fix zero excise duty on multi-axle vehicles for the next five years which would lead to a shift in the demand from rigid 2-axle vehicles.

Mr Dass suggested that a flat 33 per cent depreciation per annum should be allowed to registered transport operators only.

He said the present scheme of allowing 60 per cent depreciation on commercial vehicles bought for replacement of condemned or 15 years old vehicles would enable persons from non-transport sectors to buy these vehicles in order to neutralise their taxable incomes. After having availed of the depreciation, the owner would lease the vehicle to transporters at book value and take the rest of the market price in black money, Mr Dass argued.

Manufacturers, in turn, have begun to increase the price every few months as their new found customers were concerned with depreciation and not the operating cost of the vehicles, he added.

Mr Dass said the organised transport operators do not retain vehicles older than 5-7 years. Besides, they account for no more than 10 per cent of the total vehicles sales. It is only the small entrepreneurs who are normally not in a position to avail the depreciation benefits, he added.

Yahoo seeks damages from Indian cybersquatter

By Neelesh Misra

NEW DELHI: California-based Yahoo will seek an unspecified sum in damages from Indian "cyber-squatters" in a patent case, counsel for the US company said on Monday.

An Indian court granted an injunction on Friday to the Santa Clara, California-based Yahoo, which has brought a civil suit against "YahooIndia," whose web site resembles the familiar Yahoo home page and offers India-related services and information.

YahooIndia is run by New Delhi-based Netlink Internet Solutions. On Monday, its Internet page read only: "Under construction. Please come back later." The company's lawyer, Harish Malhotra, said he would appeal the injunction keeping YahooIndia from operating or seeking advertising, pending a final ruling.

"Yahoo is a common word in trade circles," Malhotra said. "No one can own the name."

Attorneys representing Yahoo said the ruling was a rarity in a case related to the Internet, rife with the practice of "cybersquatting" or copying of domain names.

"We are seeking punitive damages. Let this case be a deterrent for cybersquatters," Yahoo counsel Pravin Anand said, and added that the ruling also rebutted the notion that Indian courts offered little redress to domestic and foreign companies in cases of patent law violations.

India has 2,10,000 Internet users and interest in the medium is set to explode, the National Association of Software and Service Companies says.

"We brought a computer into the courtroom and logged on, and we showed (Judge MK Sharma) exactly what a web page was, what is browsing, what is HTML, what is a search engine," said Anand, a leading patent attorney.

The Delhi High Court judge said in his ruling, "There is every possibility of an Internet user being confused and deceived in believing that both the domain names belong to one common source and connection, although the two belong to two different concerns."

The court rejected defence counsel Malhotra's argument that Indian patent laws protected only physical goods, saying the domain name served the same function as a trademark and was not a mere address.

Yahoo was developed by David Filo and Jerry Yang in 1994 and offers services ranging from stock quotes to news to live chats. In January, Yahoo announced it was acquiring Geocities to form the world's largest on-line company. (AP)