

# External imbalances most worrying for India

Star Economic Report

Growing imbalances in external accounts are the most worrying aspect of the present economic situation in India and output growth would probably be retarded in the process of correcting it according to United Nations Economic Survey.

As a noted economic journalist in Calcutta said, that return of workers from the Gulf, slowing of exports and higher oil bills led to widening of the current account deficit to some \$8 billion last year.

He added that as foreign exchange reserves dwindle, India's debt to private creditors and commercial banks rose 10-fold between 1980 and 1989. Debt servicing absorbed about 30 per cent of the total exports in the last years of the decade, up from nine per cent in 1980.

In the face of a serious foreign exchange crisis, a noted Indian economist said, New Delhi negotiated an IMF loan and reintroduced some import restrictions, slashing approvals for capital goods imports, increasing margin on bank loans for imports and establishing cash deposits on letters of credit for imports.

Stating that South Asian countries were more vulnerable to the shocks of the Gulf crisis than other countries, he said in India, Pakistan, Bangladesh and Sri Lanka the GDP growth was in the range of five per cent. An United Nations Economic Survey stated similar facts.

A substantial increase in industrial production in India and Pakistan and a good performance in agriculture in Bangladesh and Sri Lanka accounted for much of the growth.

The growth in GDP was, however, accompanied by a very sharp deterioration in the Balance of Payment current account and rise in inflation. Imports in the Indian sub-continent, except Pakistan, also increased much faster than exports and the aggregate trade deficit increased by 20 per cent.

Another survey said, that more than three million migrant workers originating from South and East Asia were in West Asia by the end of 1980s. Probably half of the workers returned after war broke out in the Gulf.

The loss of remittances from the oil importing countries in South and East Asia, including India, Pakistan, Bangladesh, the Philippines, South Korea, Sri Lanka and Thailand amounted to over \$ 1.5 billion. Meanwhile, the International Monetary Fund and the World Bank have been insisting on devaluation of the Indian currency for quite some time as a conditionality for the loans they would be giving to India.

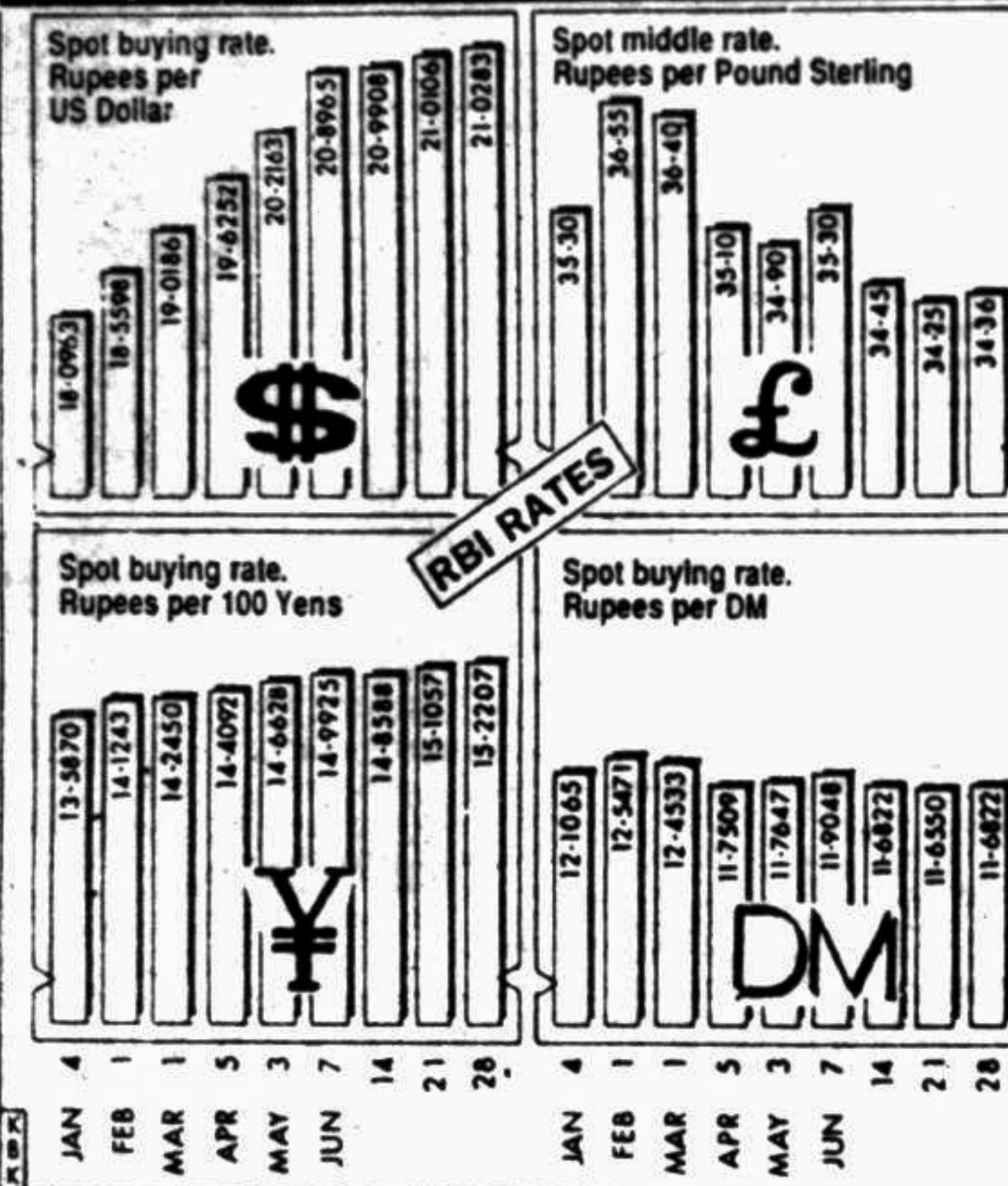
According to reports, the IMF had wanted a 20 per cent devaluation so that rupee's exchange rate becomes realistic. The Chandra Shekhar government had earlier opposed devaluation on the ground that the Indian economy was not yet prepared for such a sharp exchange rate depreciation. It had also argued that in any case rupee was getting depreciated on a routine basis and the depreciation of rupee against dollar during the last one year was as high as 20 per cent.

Apparently, the present government's decision to depreciate rupee against all major currencies of the world was taken to convince the IMF and the World Bank of its seriousness as to bring about economic reforms.

Leading Indian industrialists and apex bodies of trade and industry have welcomed the revision of rupee rates. According to official sources, it will boost the country's exports and enable India securing a much larger loan from the IMF.

Our Staffer, Rahat Fahmida, filed this report on return to Dhaka following her recent visit to Calcutta. — Economic Editor.]

### Rupee Against Four Major Currencies



Source: Reserve Bank of India.

### Modest rise in share trading

Star Economic Report

Trading at Dhaka bourse witnessed a modest rise on Sunday.

In volume terms transactions moved up to 5,103 from Saturday's 4,664. Traded issues valued Taka 3,51,533.00 compared with Saturday's Taka 4,00,857.75.

Decliners and advancers were equal in number, but the Composite Index of Dhaka Stock Exchange (DSE) declined to 306,7505 points from Saturday's 306,9253 as decliners involved more transactions in value terms.

Index is the broad indicator of price movements of all the listed stocks.

Transactions involved thirtyone stocks. Of them nine lost, nine gained and thirteen remained unchanged at their previous quoted prices.

Green Delta Insurance, Tallu Spinning and 6th ICB Mutual Fund declined Taka 1.89, Taka 1.07 and Taka 1.02 to Taka 117.78, Taka 118.32 and Taka 90.44 respectively.

BGIC Insurance, 5th ICB Mutual Fund, Kohinoor Chemical, Eagle Star, Rahim Textile and Bata Shoe lost within the range between Taka 0.14 and Taka 1.00.

Singer Bangladesh gained Taka 5.00 to Taka 1005.00. Tulip Dairy and 3rd ICB Mutual Fund advanced Taka 2.00 and Taka 1.20 to Taka 92.00 and Taka 159.20.

Bangladesh Thailand Aluminium, Metalex Corp., Bengal Food, Beximco Pharma, Saiham Textile and Chittagong Cement moved up within the range between Taka 0.15 and Taka 1.00.

#### Quoted Prices of Traded Stocks July-7

Stock	Price	Change
Abul Bank	100/11	810.00 (unchanged)
1st ICB	100/7	186.00 (unchanged)
2nd ICB	100/7	119.00 (unchanged)
3rd ICB	100/5	159.20 (+1.20)
4th ICB	100/10	128.36 (+0.14)
5th ICB	100/10	90.44 (-1.02)
BGIC	100/10	111.00 (-1.00)
Green Delta	100/10	117.78 (-1.89)
Kohinoor	100/5	200.00 (unchanged)
1st ICB	100/5	106.00 (unchanged)
2nd ICB	100/5	82.32 (-0.23)
3rd ICB	100/10	100.00 (unchanged)
4th ICB	100/10	100.00 (unchanged)
5th ICB	100/10	100.00 (unchanged)
6th ICB	100/10	100.00 (unchanged)
Bata Shoe	100/5	147.00 (unchanged)
Chittagong	100/10	37.25 (+0.25)
Green Delta	100/10	90.00 (unchanged)
Kohinoor	100/5	100.00 (unchanged)
1st ICB	100/10	100.00 (unchanged)
2nd ICB	100/10	100.00 (unchanged)
3rd ICB	100/10	100.00 (unchanged)
4th ICB	100/10	100.00 (unchanged)
5th ICB	100/10	100.00 (unchanged)
6th ICB	100/10	100.00 (unchanged)
Beximco	100/5	142.00 (unchanged)

### Dhaka Stock Exchange Market Profile July-7

134 Listed Stocks
9 Gains
9 losers
116 Unchanged
116 Unchanged stocks include thirteen traded on the day at its previous quoted prices.
DSE All Share Price Index = 306,7505
Issued Capital-Taka 5,439,680,590
Market Capitalisation = 8,765,475,599
Turnover = Taka 3,54,533.00 (Value) 5,103 (Volume).



M Saifur Rahman, Minister for Finance and Planning meeting the committee members of the Metropolitan Chamber of Commerce and Industry, Dhaka to discuss VAT, recent closure of a bank and other issues.

### Snippets

**Egypt to get \$194 m US grant**  
CAIRO, July 7: Egypt and the United States signed agreements here yesterday granting Egypt 194 million Dollars to finance infrastructure projects in fiscal 1991, U S and Egyptian officials said, reports AFP.  
The funds are this year's share of a 2.3 billion Dollar U S economic and military aid package that Egypt has received annually since it signed a US-brokered peace agreement with Israel in 1979.  
The money will go to complete sewage systems in Alexandria and the Suez Canal zone cities, improve irrigation systems, and fund health projects, childcare, and military needs.

### Suharto defends loan policy

JAKARTA, July 7: President Suharto has defended Indonesia's policy of continuing to seek foreign loans as necessary to finance development and improve the welfare of the people, press reports said Saturday, reports AFP.  
"Don't worry about the size of the loans we take because we have enough assets to cover them if we have to repay them now," the official Antara news agency quoted Suharto as saying.  
"That is not what we want however. We want to continue with our development programme," he said during a meeting with the Indonesian community in Germany. Suharto is currently on a week-long visit to that country.

### Unemployment to rise in France

PARIS, July 7: French unemployment is likely to rise by 250,000 this year, with the jobless rate jumping by almost a point to nearly 10 per cent the French national statistics office (Insee) said in its mid-year economic forecast, reports Reuters.

Unemployment rose to a record high of 2,688,900 in May, or 9.5 per cent of the active population. In the first five months of 1991, the jobless queue lengthened by 159,300 people.

### Nobel Foundation-Nomura talks suspended

TOKYO, July 7: Sweden's Nobel Foundation has suspended negotiations with Nomura Securities Co. Ltd. for a fund management contract, apparently because of the firm's involvement in a financial scandal, the press reported Saturday, adds AFP.  
The Mainichi Shimbun newspaper said that the Nobel Foundation had been negotiating with Nomura, the world's largest securities firm, since October last year, but it suspended the talks after the scandal came to light last month.  
The paper said the foundation was considering a 1.2 billion Yen (8.7 million Dollar) fund management contract with Nomura.

### Slovenia to need money after fighting

LJUBLJANA (Yugoslavia), July 7: Slovenia, Yugoslavia's economic showpiece before federal tanks and warplanes tried to crush its move toward independence, now desperately needs foreign credits and international recognition, reports AP.  
But the West so far has refused to recognize the republic's declaration of independence, and that means no credits will be forthcoming from international financial institutions such as the World Bank.  
Even if Slovenia is forced to remain in the federation against its will, Western banks and investors are unlikely to risk sinking money into such a volatile country.  
Despite Yugoslavia's slide into political and economic anarchy, Slovenia still manages to look prosperous.

### Unemployment rises in Gaza

RAFAH, July 7: Young Palestinians hang around a music shop in the center of this dusty border town, unemployed and bored, reports AP.  
Palestinians and UN aid officials say the situation in the coastal strip, already dismal after 42 months of confrontation with Israeli occupation forces, has reached a new and dangerous low since the Gulf War.  
One of the men in the music shop is a teacher who can't even find work as a house painter. Another is a waiter, a third a college senior who is idle because the army closed the university to curb anti-Israeli demonstrations.

## BCCI assets seized for allegations of fraud

LUXEMBOURG, July 7: A major Luxembourg-based bank, Bank of Credit and Commerce International SA (BCCI), was plunged into crisis on Friday when monetary authorities around the world seized its assets amid allegations of a massive fraud.  
It was the second scandal of his BCCI recently. Last year, it pleaded guilty in the United States to money laundering charges and agreed to pay a 15 million Dollar penalty, the biggest ever assessed against a bank.  
Jaans, who met BCCI shareholders and management on Friday in Luxembourg, said the present problems had no connection with the money-laundering case.  
The bank's activities in Luxembourg had been placed under "controlled administration," similar to bankruptcy laws in the United States. This meant it would be protected from creditors, he said.  
Monetary authorities in all of the 69 countries where BCCI has interests had taken action, Jaans said, except for in the Gulf area.  
"It was the Bank of England

## TFYP target can't be attained : Saifur

The overall target during the Third Five Year Plan (TFYP) period could not be attained, Finance and Planning Minister M Saifur Rahman told Jatiya Sangsad Sunday, reports BSS.  
In reply to a question from Nurul Islam Moni (Ind-Barguna), the minister ascribed the causes for non-attainment to slow growth in the agriculture sector due to natural calamities, resultant slow growth in the industrial sector, economic depression due to natural calamities, and low savings and investment due to down ward trend in allocation in various sectors.  
Replying to supplementaries, Saifur Rahman said, agriculture and industrial sectors could not achieve target in the TFYP due to low investment in these sectors.  
Pointing out the increased investment in both utility and construction sectors, the Finance and Planning Minister said, it was not a sound economic progress.  
He stressed the need for more attention in the agriculture and industrial sectors.  
He also called for making the government machinery more dynamic in respect of project identification, preparation, implementation and monitoring.

## Gorbachev, G-7 leaders meet next week

MOSCOW, July 7: When Mikhail S Gorbachev meets Western leaders in London next week to discuss aid for his crippled economy, prime topics are likely to be food and oil, say officials on both sides, reports AP.  
Soviet Prime Minister Valentin Pavlov has warned that the country might go hungry next winter if it continues to lose one-third of its harvest to rot on the way to the store.  
And the country's 6 per cent drop in production in the first six months of the year is partially blamed on lack of foreign currency to buy imported equipment parts and raw materials critical to manufacturing.  
Nor foreign currency is available because Soviet oil exports dropped by half this year, to 420 million barrels form 340 million barrels.  
Leaders of the world's seven richest countries declined to invite Gorbachev to join them at their annual summit, deciding instead to hold a separate meeting with him on July 17, just after their session ends.  
The Group of Seven say they have no plans to give billions of Dollars in outright aid to the Soviet Union. But the case for outside help was strengthened last week with the release of a United Nations report saying that a 10 per cent shrinkage in the Soviet and Eastern European economies was slowing the overall global economy.  
Pavlov has said the Soviets need Western expertise and equipment to help agricultural and energy production, including oil.  
Russian Federation President Boris N Yeltsin, on a visit to Washington last month, called for Western investment — rather than loans — in food processing, banking, transport and the conversion of defense industries to civilian uses.  
Food processing and distribution aid can be considered humanitarian assistance.  
But oil is strictly business.  
With possibly the world's richest oil reserves, the

## BCCI to continue to function, says Nahayan

ABU DHABI, July 7: Abu Dhabi's Bank of Credit and Commerce-Emirates (BCEE) said Saturday its operations will continue despite the crisis facing the Luxembourg-based Bank of Credit and Commerce International (BCCI) worldwide, reports AFP.  
Both banks are majority owned by the United Arab Emirates of Abu Dhabi.  
"Sheikh Nahayan Bin Mubarak Al Nahayan, Chairman of BCEE has categorically assured depositors and other customers of the bank that it will continue to function normally," a BCEE statement here said.  
As Pakistani newspapers carried reports of the freeze on their front pages, the business community in this southern city, Pakistan's largest, was in shock.  
Depositors thronged local BCCI branches to withdraw their money in anticipation of a possible closure.  
But a bank spokesman reassured clients about the bank's liquidity position and ability to meet cash demands.  
A special unit has been set up to identify culprits worldwide of any wrongdoing by the bank, which has been implicated in the laundering of drugs money.  
Khaliq Hussain, Treasury Manager for Pakistan, told Agence France-Presse the bank had accommodated all demands in Pakistani and foreign currencies.



Air Vice Marshal Soemakno Iswadi, Ambassador of Indonesia in Bangladesh called on Mahbubur Rahman, President, Dhaka Chamber of Commerce and Industry (DCCI) on Wednesday. They discussed various issues to improve imbalance of trade and strengthening of Economic Cooperation between the two countries. Ismail Hussain Miah, Vice-President, DCCI is also seen.

### Training on salesmanship opens

M Mosharraf Hossain, Managing Director, Rapport Bangladesh Limited inaugurated a week-long management training programme on "Salesmanship" and a three-week programme on "Practice and Law of Banking" in city Sunday sponsored by Rapport Bangladesh Limited.  
Middle and junior level participants from sector corporations, banks, multinational companies, NGO's and from other private business organizations are attending the training programme, a Rapport press release says Sunday.

### Exchange Rates

Unit	Selling	Buying
US Dollar	36.6226	36.1390
UK Pound	58.1312	56.4152
Saudi Riyal	17.8212	17.5773
German Deutsche Mark	20.0672	19.7968
French Franc	5.9217	5.8416
Swiss Franc	9.7974	9.6680
Dutch Guilders	17.8212	17.5773
Pakistan Rupee (AMU)	1.4692	1.4553
Singapore Dollar	20.7977	20.5230
UAE Dirham	10.0063	9.8732
Kuwait Dinar	Not available	Not available
Indian Rupee	1.3902	9.8732
AMU	5.5501	5.4727
*AMU-Asian Monetary Unit		

Unit	Buying	Selling
US Dollar	37.19	37.24
UK Pound	60.06	37.24
Saudi Riyal	9.95	10.00
UAE Dirham	10.16	10.21

\* The rates of Pound Sterling are decided every day, based on the cross-rates of New York market  
Source: Small Bank

### Gold & Silver

Unit	Price
Gold	6,000.00
Telabai	6,300.00
Osaka	300.00
Silver	200.00

Source: Department of Agricultural Marketing



Biman's Managing Director Mofazzal Karim distributing certificates among the successful participants in a 3-year long course at Bangladesh Airlines Training Centre (BATC) in city on Sunday.

### Price Barometer Essentials July-7

Commodity	Price
RICE (Taka per kg)	
Aman (Very fine)	17.50-18.50
Aman (Fine)	15.50-16.50
Pujan	13.00-14.50
Uphi	13.50-14.00
VEGETABLES (Taka per kg)	
Posto(White)	3.50-4.00
Brinjal	14.00-16.00
Lady's finger	8.00-10.00
Karolla	12.00-13.00
Lalshak	5.00-7.00
Pappa	5.00-6.00
Green Bananas (Four Pices)	6.00-8.00
OTHER FOODGRAIN (Taka per kg)	
Flour	12.50-13.50
Maize	10.00-10.50
Wheat	8.00-8.50
Suzi	17.00-18.00
FISH (Taka per kg)	
Butki(big)	140.00-160.00
Kaloti(big)	110.00-125.00
Hilsa	55.00-60.00
Pangas	120.00-130.00
Shrimp(big)	80.00-90.00
Singi	80.00-90.00
Koi	80.00-90.00
PULSES (Taka per kg)	
Mash	33.00-35.00
Mashur	27.00-28.00
Moogh	27.00-28.00
Chhola	22.00-23.00
Kuara	24.00-26.00
Khauri	16.00-18.00
MEAT (Taka per kg)	
Beef	Not Available
Mutton	Not Available
OIL (Taka per Liter)	
Peanut	56.00-58.00
Mustard	42.00-45.00
Soybean	42.00-45.00
Coconut (Colombo)	75.00-80.00
Vegetable Ghee	55.00-56.00
SPIICES (Taka Per kg)	
Onion	15.50-16.00
Garlic	32.00-40.00
Chillies	65.00-70.00
Tumeric(Round)	52.00-60.00
(Long)	52.00-60.00
Green chillies	16.00-20.00
Ginger	20.00-24.00
Cinnamon* (10gms)	3.00-3.50
Cardamom* (large)	3.50-4.00
Jhira (50gms)	7.00-8.00
MISCELLANEOUS (Taka)	
Choc	220.00-240.00
Sugar	28.00
Molasses	18.00-22.00

Source: Department of Agricultural Marketing