

Leading foreign stock-brokers say

High-cost domestic borrowings by govt may push India into recession

BOMBAY, June 11: Rising high-cost domestic borrowings by the government and high interest rates could push India into an internal debt trap and its economy into recession, leading foreign stock-brokers here say, reports AFP.

The government is caught in the vicious cycle of higher and higher cost of borrowing, stock-broker James Capel said in a second quarter 1996 economic survey which was released here.

New Delhi borrowed some 570 million dollars from the domestic market last month on a five-year bond and an equal amount in the past week for three years, both at about 13.70 per cent interest.

They were the first borrowings in fiscal 1996-97 which began on April 1.

Interest rates for both government and commercial borrowings have been rising over the past several months, causing a severe cash crunch that has hit industry hard.

Analysts said interest rates for corporates ranged between 19 and 35 per cent a year depending on the risk profile of individual companies.

"With inflation at its historic low, and soaring interest rates, the government is borrowing at a real rate of above 8.2 per cent," James Capel said.

Corporates are borrowing at real rates above 12 per cent.

Such high real rates of interest are not sustainable. While New Delhi can land itself in an internal debt trap, the economy can plunge into a recession, James Capel warned.

The survey said the solution was for New Delhi to cut market borrowings by reducing the fiscal deficit, now officially estimated at 5.9 per cent of the gross domestic product (GDP).

Stock-broker W.I. Carr (Far East), in its report "India Strategy 1996" said New Delhi's domestic market borrowings in 1996-97 were expected to rise 15.75 per cent to 625 billion rupees (17.85 billion dollars).

W.I. Carr said New Delhi was spending 56 per cent of revenue receipts on interest payments.

The incremental borrowings from the market at higher costs are continuing to push up the interest burden, the W.I. Carr report said.

"Due to the higher demand for and consequent supply of short maturity paper, the burden of debt repayment will be very high between 1999 and 2004," it said.

"And if the borrowings are not reduced, the country may find itself very close to an internal debt trap post 2000," it added.

W.I. Carr said the way out was to contain the primary deficit at close to one per cent and a faster economic growth at more than seven per cent.

"During the next two years we do not see the primary deficit coming down to one per cent from current levels of 1.6 per cent. At the same time, we do not see the economy growing at a rate higher than between five and six per cent."

the stock-broker said. The government is trying to raise money by selling stocks of state-owned companies and by tax reforms, it said. "A long-term solution should consist of a cut in expenditure, for which a strong government is required."

W.I. Carr said New Delhi had failed to bring about greater fiscal discipline and control the fiscal deficit within five per cent of GDP.

public, the newspaper quoted sources as saying. The newspaper said East West Airlines needed cash to clear loans and outstanding payments.

"Its (East West's) immediate problem is paying lessor PFI equipment and transport against which it has lost a court case and all three leased aircraft have been impounded, the newspaper said.

As a result, its fleet strength stands reduced forcing it to withdraw from a majority of the profitable routes, it said.

the opposition Liberal Democrats, Malcolm Bruce, said: "today's interest rate cut appears to be motivated by cynical politics and not sound economics."

He warned that "if tax cuts are added to excessively easy monetary policy later this year, we could be in store for a return to boom-bust economics of the kind which has so badly damaged the British economy in the past."

Analysts said that the decision has set the stage for a decoupling of European and US interest rates, as the North American economy streaks ahead of growth rates among its European trading partners.

The British Chancellor said that his decision to cut base rates to 5.75 per cent was "sensible" given the fact that "cost pressures have eased further" and the economy is growing below trend.

His decision to slash base rates to the lowest level since December 1994 followed a monthly monetary policy meeting with Bank of England Governor Eddie George on Wednesday.

Despite repeated calls for caution on interest rates from George, Clarke said that "this further modest cut in interest rates is fully consistent with my target of inflation below 2.5 per cent" before general elections - which must be held before May 1997.

Despite Clarke's assurances, economists and politicians here were quick to slam the decision as part of an electioneering campaign.

The Chief Economist at the Royal Bank of Scotland, Jeremy Peat, said "this cut must be seen as taking risks regarding future inflation, damaging hard-earned policy credibility and placing perceived political gains above sound economic management."

The treasury spokesman for

the treasury spokesman for

Russia's central bank to challenge law ordering transfer of 5 t roubles

MOSCOW, June 11: Russia's central bank acquiesced to the government's demand to hand over five trillion roubles (one billion dollars) for the budget, reports AP.

But Chairman Sergei Dubinin also said the bank will mount a legal challenge to the law ordering the five-trillion-rouble transfer. He said the law jeopardizes the central bank's independence.

He also said the bank will have to sharply tighten credit to counteract the inflationary impact of the move.

Dubinin warned that the law approved last week on transferring profits reflects a strong current of opposition to the central bank independence in the Russian parliament.

"We are completely convinced that this law contradicts the law on the central bank and the constitution," Dubinin said, adding that it is a violation of the principle of the central bank's independence.

At the same time, Dubinin said, he had received assurances from Prime Minister Chernomyrdin that the government remained committed to an independent central bank.

He said the central bank, which transferred the five trillion to the budget Monday, is

trying to reverse the law to the Supreme Court, arguing that it contradicts the law on the central bank.

The bank is also seeking to have a case brought into the constitutional Court challenging the constitutionality of the law.

The central bank said that over the last three months it has issued more than 25 trillion roubles (five billion dollars) to help fund the budget deficit, much of it in the form of purchases of treasury securities and government metal reserves.

To soak liquidity, the central bank sold three billion dollars on the currency markets.

In addition to the five trillion (one billion dollars) roubles in central bank profits requisitioned by the government last week, the central bank turned over another eight trillion (1.6 billion dollars) to help fund the budget deficit, Dubinin said.

He said that the bank will neutralize the inflationary effect of the five trillion-rouble transfer by sharply tightening credit. He said Russia would be able to hold within the limits of its monetary programme a critical element of Russia's 10 billion dollars loan deal with the IMF.

Dhaka Stock Prices

At the close of trading on June 11, 1996 Index continues to rise

The Dhaka Stock Exchange All Share Price Index continued to rise Tuesday posting a gain of 2.24 points and reached 904.30 from 902.06.

The transaction in volume declined by 34 per cent from 1.76 lakh to 1.17 lakh and the value fell by 26 per cent to Tk 3.18 cr from Tk 4.27 cr.

The total market capital reached Tk 6140.21 cr from Tk 6125.02 cr.

The leading gainer of the day was Stylecraft with a rise of Tk 62.50 per share while the losers were led by United Leasing Co with a fall of Tk 37.24 per share.

The volume leaders of the day were: Eastern Housing (10200), BOC Bangladesh (10,000) and Beximco Pharma (8250).

The number of issues traded totalled 105, of which 55 gained, 39 incurred losses while prices of 11 remained unchanged.

Trading at a glance

Table with columns: DSE All Price Index, Market Capital Tk, Transaction in Volume, Transaction in Value, Total Issues traded, Issues gained, Issues incurred losses, Issues unchanged, Company name, Change (per share), Number of shares traded.

বাংলাদেশ রপ্তানি প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ

২২২, নিউ ইকানি রোড, ঢাকা-১০০০

আইন উপদেষ্টা নিয়োগের পুনঃ বিজ্ঞপ্তি

বাংলাদেশ রপ্তানি প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষের চট্টগ্রাম আদালতসমূহের মামলা পরিচালনা করার জন্য চট্টগ্রামে বসবাসকারী একজন আইন উপদেষ্টা নিয়োগের জন্য আহ্বানী বাংলাদেশের প্রকৃত নাগরিক, অভিজ্ঞতাসম্পন্ন এডভোকেট/আইনবিদদের নিকট হইতে নিম্নলিখিত শর্তে দুই কপি ছবিসহ দরখাস্ত আহ্বান করা যাইতেছেঃ

১। দরখাস্তকারী এডভোকেটকে আইন ব্যবসায় কমপক্ষে ১৫ (পনের) বছরের বাস্তব অভিজ্ঞতাসম্পন্ন হইতে হইবে, যাহার মধ্যে ১০(দশ) বছর সূচীম কোর্টের হাইকোর্ট বিভাগ/আপীল বিভাগে প্রাকটিস করিয়াছেন। উল্লেখ্য যে, বার-এন্ট-ন ডিগ্রীধারী এডভোকেটকে আবেদন করা যাইবে।

২। অবশ্যই দরখাস্তকারী বিচার বিভাগে কর্মরত, যিনি এডভোকেট হিসাবে আইন ব্যবসা করিতেছেন, তিনিও আইন উপদেষ্টা পদের জন্য দরখাস্ত করিতে পারিবেন।

৩। দরখাস্তকারীকে অবশ্যই সুস্থের অধিকারী, ব্যক্তিগতসম্পন্ন ও চরিত্রবান হইতে হইবে।

৪। আইন উপদেষ্টার মাসিক রিটেনার ফি টাকা ১,০০০/- (এক হাজার) মাত্র।

৫। আইন উপদেষ্টার মামলা পরিচালনার বিভিন্ন পর্যায়ের ফি উভয় পক্ষের আশোচনাতে নির্ধারণ করা হইবে। তবে দরখাস্তের সহিত বিভিন্ন আদালতে মামলা পরিচালনা সফলকৃত বিভিন্ন পর্যায়ের কার্যক্রমের জন্য পৃথকভাবে তহাবর চাহিদাকৃত ফি এর পরিমাণ উল্লেখ করিতে হইবে।

৬। একজন আইনবিদ একই সময় একাধিক প্রতিষ্ঠানের আইন উপদেষ্টা থাকিতে পারিবেন না।

৭। নিয়োগকৃত আইনবিদ যদি সাফল্যের সাথে কার্যক্রম পরিচালনা করেন, তাহা হইলে এই নিয়োগের মেয়াদ ২(দুই) বছর হইবে। তবে দুই বছর সাফল্যের সহিত সমাপ্তির পর কর্তৃপক্ষ ও বিজ্ঞ আইনবিদ ইচ্ছা করিলে পরবর্তীতে উভয়ের সম্মতিক্রমে নিয়োগের মেয়াদ বৃদ্ধি করিতে পারিবেন।

৮। অন্যান্য শর্তাবলী সংক্রান্ত চলিত নিয়মে চলিবে।

৯। দরখাস্তকারীর আবেদনপত্র অবশ্যই ৩০-৬-৯৬ইং তারিখের মধ্যে কর্তৃপক্ষের নির্ধারিত চেয়ারম্যানের বরাবরে পৌছাইতে হইবে।

বাংলাদেশ রপ্তানি প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ ২২২, নিউ ইকানি রোড, ঢাকা-১০০০।

Clarke's decision to cut interest rate slammed

LONDON, June 11: Chancellor of the Exchequer Kenneth Clarke astounded financiers in the city of London yesterday when he decided to cut interest rates by 0.25 percentage points for the third time so far this year, prompting accusations that "electioneering was the main impetus for the rate cut," says an AFP.

Analysts said that the decision has set the stage for a decoupling of European and US interest rates, as the North American economy streaks ahead of growth rates among its European trading partners.

The British Chancellor said that his decision to cut base rates to 5.75 per cent was "sensible" given the fact that "cost pressures have eased further" and the economy is growing below trend.

His decision to slash base rates to the lowest level since December 1994 followed a monthly monetary policy meeting with Bank of England Governor Eddie George on Wednesday.

Despite repeated calls for caution on interest rates from George, Clarke said that "this further modest cut in interest rates is fully consistent with my target of inflation below 2.5 per cent" before general elections - which must be held before May 1997.

Despite Clarke's assurances, economists and politicians here were quick to slam the decision as part of an electioneering campaign.

The Chief Economist at the Royal Bank of Scotland, Jeremy Peat, said "this cut must be seen as taking risks regarding future inflation, damaging hard-earned policy credibility and placing perceived political gains above sound economic management."

The treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

the treasury spokesman for

Exchange Rates

Janata Bank

The following are the dealing rates to public for some selected foreign currencies with Bangladesh Taka as on June 11 '96

Table with columns: Selling, Buying, US Dollar, G.B Pound, D.Mark, F.Franc, J.P.Yen, C.Dollar, S.Franc, etc.

Janata Bank's selling and buying rates in cash currency for public

Table with columns: US DLR, G.B.P, S.Riyal, UAE DH, Kaw Dinar

Shipping Intelligence

CHITAGONG PORT Berth position and performance of vessels as on 11.6.96

Table with columns: Berth No, Name of vessels, Cargo, L.Port, Local agent, Date of arrival, Leaving

However, South Korean officials said Seoul is not going to give the DPRK a large amount of aid unless it meets the conditions for such aid.

The US and Japan will also provide the DPRK with several million dollars in food aid respectively.

Sino-US copyright talks to resume Thursday

BEIJING, June 11: Chinese and US negotiators will start the next round of talks on copyright violation Thursday in Beijing, four days before planned US sanctions and Chinese counter sanctions trigger a trade war, the US embassy said, reports AFP.

At least three US delegates are expected to arrive Wednesday for talks aimed at addressing US charges that

China has failed to fulfill its obligations under a bilateral accord on protecting US Intellectual Property Rights (IPR), the embassy said, without naming the delegates.

Washington has warned Beijing, it will impose two billion dollars in punitive sanctions against Chinese imports on June 17 unless Beijing takes immediate action to curb piracy, especially of goods such as CDs and laser discs.

Beijing has said it will take counter measures against US imports if the sanctions are imposed.

In an apparent concession China on Sunday announced the closure of four pirate video compact disc and laser disc plants in the southern province of Guangdong.

Tender Notice

No 85(7)Engg Dated: 10-6-96

University of Dhaka: Sealed Tenders in Dhaka University form "Tender for works" are hereby invited from the Enlisted contractors (Bid) of Dhaka University for the undermentioned works and will be received by the undersigned up to 12 Noon on the dates mentioned against each work & opened on the same day at 12:15 PM in presence of the contractors who may remain present. Contractors will have to deposit as earnest money a sum of Taka as stated below in Demand Draft or Pay Order from any scheduled Bank of Bangladesh. Specifications and other particulars may be had from office of the undersigned up to 12 Noon on all working days except on the date fixed for submitting the tender after depositing the cost of tender forms and schedule as stated below against each work to the Janata Bank, TSC branch (Non-refundable) after showing the necessary Enlistment papers endorsed by the undersigned.

Table with columns: Sl No, Name of works, Estimated cost, Earnest money, Price of tender form, Time allowed for completion of the work, Opening date

Md Muklesur Rahman Executive Engineer University of Dhaka