

Indian PM, President lock horns over new telecom policy

NEW DELHI, July 20: India's president and prime minister have locked horns over a new telecom policy, which the caretaker government wants to implement before early elections in September-October, reports said today, reports AFP.

Prime Minister Atal Behari Vajpayee wrote a letter Monday to President KR Narayanan defending the government's plans after the president called on the government to delay the policy until after the polls. The Economic Times said.

Vajpayee's BJP-led coalition government fell in April after losing a parliamentary vote of confidence and is currently running the country in a caretaker capacity.

The independent Election Commission had told the government to stop taking major policy decisions from last week in line with its "code of conduct" in the run-up to elections.

Private Indian telecom operators have welcomed the new

telecom policy which banishes hefty licence fees and allows a revenue-sharing arrangement with the government.

Cellular companies said the new arrangement to take effect from August 1 was an improvement over the old regime which imposed "punitive licence fees" and hurt their profits.

But opposition parties have slammed the policy, arguing that it was approved by a government which had lost its parliamentary majority and was seeking to sidestep the Election Commission's code.

In his letter to the president, Vajpayee argued that shelving the policy would put the industry in jeopardy.

"The basic framework of the policy has not changed. The package merely addresses the issue of migration of the old licences to a new regime," he said.

The government, he added, had not committed any procedural irregularities and the pol-

icy was merely a follow-up to a cabinet decision taken in March.

"The rejection of the presidential advice is sure to worsen the relations between the two offices," The Economic Times said.

The Hindu newspaper, quoting government sources, said the relationship between the president and the prime minister was "strictly within the framework of constitutional parameters" and "there was no stand-off."

Telecom companies said the row reflected the absence of a strong independent regulator.

"This row can hit foreign investment in the telecom sector. I feel, looking at what has gone wrong, the telecom regulator should be strengthened," said Ram Mohan, a spokesman of US-based Converse Network.

In March, a bitter row between the Telecom Regulatory Authority of India (TRAI) and the government came to an end

after New Delhi, which earlier refused to accept the watchdog's planned telephone tariff changes, gave in.

The state-owned Department of Telecommunications (DoT) had also dragged TRAI into court for a ruling on whether the watchdog's tariff proposals were binding on the government.

Abu Shafiq, managing director of Telstra Com, a joint venture with Australia's Telstra Corp, said "there would have been no political stalemate if we had a strong telecom regulatory body."

"In future we have a lesson to be learnt and we must seriously look at empowering the Telecom Authority of India," he said.

The New Telecom Policy 1999, unveiled in March, is seeking to promote telecom growth in India from less than one telephone for every 200 rural residents at present to four by 2010.

1995 Mexican bailout Audit finds \$6b of dubious operations

MEXICO CITY, July 20: An independent auditor said yesterday he found some \$6 billion pesos (six billion dollars) in "irregular operations" in the Mexican government's 1995 bailout of banks privatised a few years earlier, says AFP.

Canadian Michael Mackey told a news conference that 18 banks were involved in the irregularities. If the illicit operations are confirmed, the banks could be forced to take back the debt.

The banks mentioned had been privatised between 1991 and 1992 under the government of Carlos Salinas that has been widely accused of corruption and influence peddling.

Mackey Monday presented to legislators his audit of FOAPROA, the government's deposit insurance fund that absorbed billions of dollars in bad loans during the 1995 peso crisis.

The audit covered the period up to June 1998, when the

bailout was worth 55 billion dollars, though Standard and Poor's said recently that interest on the original loans increased the amount to 84 billion dollars.

Opposition parties claim that the rescue program largely served to protect companies close to the ruling Institutional Revolutionary Party (PRI).

Irregularities were found both in the portfolio program and in clean-up operations, said Fauzi Handam, chairman of the congressional Audit Committee.

Total portfolio and clean-up operations amounted to 16.9 billion dollars of which six billion are considered irregular, according to Mackey's report, which was published in English.

Handam, of the opposition National Action Party (PAN), said that while the 300-page report may not live up to expectations that "a huge fraud" would be uncovered.

Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to major currencies						
Currency	Selling TT & OD	Selling BC	Buying T.T. Clean	Buying OD Sight Export	Buying OD Transfer	
US Dollar	49.7300	49.7700	49.3200	49.1570	49.0850	
Pound Stg	78.7574	78.8207	77.5922	77.3338	77.2205	
Deutsche Mark	26.5962	26.6176	25.5922	25.6106	25.4732	
Swiss Franc	32.0632	32.0890	31.5749	31.4706	31.4245	
Japanese Yen	0.4212	0.4215	0.4141	0.4127	0.4121	
Danish Krona	23.6045	23.6235	22.7161	22.6411	22.5079	
Australian \$	32.9561	32.9826	31.6733	31.5686	31.5224	
Belgian Franc	1.2895	1.2905	1.2410	1.2368	1.2350	
Canadian \$	33.7015	33.7287	32.7425	32.6343	32.5865	
French Franc	7.9300	7.9364	7.6316	7.6063	7.5962	
Hong Kong \$	6.4216	6.4267	6.3457	6.3227	6.3134	
Italian Lira	0.0269	0.0269	0.0259	0.0258	0.0257	
Norway Kroner	6.3290	6.3341	6.2273	6.2067	6.1976	
Singapore \$	29.6329	29.6558	28.6878	28.5930	28.5511	
Saudi Rial	13.2957	13.3064	13.1153	13.0719	13.0528	
UAE Dirham	13.5770	13.5980	13.3909	13.3466	13.3271	
Swedish Krona	5.9025	5.9072	5.8309	5.8116	5.8031	
Qatari Riyal	13.6963	13.7073	13.5064	13.4618	13.4421	
Kuwaiti Dinar	167.3566	167.4912	155.4610	154.9472	154.7203	
Thai Baht	1.3399	1.3410	1.3263	1.3220	1.3200	
Euro	52.0176	52.0594	50.0598	49.8944	49.8213	

TT Doc 30 Days 60 Days 90 Days 120 Days 180 Days

48.2112 47.9074 47.5048 47.1023 46.6997 45.8945

US Dollar London Interbank Offered Rate (LIBOR)

Buying Selling Currency 1 Month 3 Months 6 Months 9 Months 12 Months

49.0850 49.7300 USD 5.1800 5.30875 5.59625 5.65000 5.74875

76.2565 77.7827 GBP 5.10609 5.13063 5.29063 5.36484 5.47859

Cash/TC Cash/TC Euro 2.66000 2.69875 2.94250 2.99813 3.09438

Exchange rates of some Asian currencies against US dollars

Indian Rupee Pak Rupee Thai Baht Malaysian Ringgit Indonesian Rupiah Korean Won

43.190/ 51.660/ 37.100/ 3.7995/ 6670/ 1194.2/

43.197 51.750 37.300 3.8005 6690 1194.5

Amex notes on Tuesday's market

The USD/BDT market remained sluggish after the devaluation of July 18, 1999.

The new central bank USD/BDT rate was set at 49.35/65, a downward adjustment of BDT 1.00 to the USD. There was moderate demand for USD in the market, and the market was liquid in USD. For this reason the market quickly adjusted to the new rate and there was no major movement of USD/BDT rates in the interbank market. It is likely that the USD/BDT rates will stay in the 48.62-48.66 level for the remainder of the week.

The call money market remained highly liquid and the call rates went down than that of July 19, 1999 after the T-bills auction held on July 18, 1999. The rate of the call money market ranged between 5.50 and 6.00 per cent.

The dollar looked a bit healthier in Asia after an overnight shakeout, which led to the speculation of possible European Central Bank intervention, and surprised the market by the Bank of Japan's absence. It perked up as short-term players booked profit on the yen's overnight surge to five-week highs, with traders in Asia wary of Singapore and Hong Kong markets. The assumption is that BOJ could also be signalling tolerance of a wider trading range for dollar/yen. The market makers assume that the BOJ has its work cut out for them if they were sticking by to what they had said - that a premature yen strength is bad for their economy.

Euro's overnight bounce had also removed pressure on the euro/yen exchange rate. The euro won a reprieve overnight amid speculation the ECB had stepped in to stem the seven-month-old unit's embarrassing slide towards parity with the dollar. No official confirmation was available and there was also talk of large hedge fund orders in a market severely short of euro, but market makers said covert central bank action could not be ruled out.

Sterling was firm below Monday's three-week peaks against dollar and remained steady against euro. The driving force for sterling gains against dollar came from broad based dollar slippage in North American trade on Monday that saw euro/dollar gain 2.1 per cent.

At around 0628 GMT the exchange rates of major currencies against USD were GBP/USD 1.5763/73, USD/SGD 1.5575/85, USD/JPY 118.26/36, EUR/USD 1.0289/93.

Phoenix Insurance declares 20pc dividend

Star Business Report
Phoenix Insurance Company Ltd has declared a 20 per cent dividend for its shareholders for the year 1998.

The dividend was announced at the 13th Annual General Meeting of the company held at a city hotel on Monday, says a press release.

The chairman of the company, Major General Abdul Mannan Siddiqui (Retd), presided over the meeting.

During the year 1998, the company earned a total premium of Tk 17.87 crore and pre-tax profit of Tk 2.07 crore.

Total asset of the company in the year 1998 was Tk 37.74 crore.

The shareholders of the company expressed deep satisfaction over the performance and steady growth of the company in the face of extremely adverse situation.

They also apprehended that owing to emergence of as many as 19 new general insurance companies, the overall income-position was likely to decline during the days ahead.

In the vacant posts of directors from the sponsor-shareholders' group, Mobarak Ali, Azizul Rahman, Azizul Mahmood and Mazharul Haque were re-elected unopposed.

In the two vacant position of the Directors from the public shareholders Deen Mohammad and Wasif Ahmed were elected unopposed.

Directors present at the meeting were Deen Mohammad, Abdul Rahman, Mobarak Ali, Azizul Mahmood, Nasiruddin Ahmed, Md Habibur Rahman, Mazharul Haque, Evana Fahmida Samdani, Meherun Haque, Farhad Bin Mannan, Mohammad Shabbir and Acting Managing Director Syed Najabat Ali.

IBM's quarterly profits surge

NEW YORK, July 20: IBM's second-quarter profits jumped 65 per cent, reflecting strength in personal computers, computer services and the sale of its data networking business, reports AP.

IBM, the world's largest computer company, said Monday it earned \$2.39 billion, or \$1.28 a share, in the three months that ended June 30. That was up from a profit of \$1.45 billion, or 75 cents a share, in the year-ago period.

The quarterly profit included an after-tax gain of \$170 million from IBM's sale of its Global Network business to AT and T Corp and other one-time actions.



Chairman of Phoenix Insurance Company Ltd Major General Abdul Mannan Siddiqui (Retd) presides over the 13th annual general meeting of the company at a city hotel Monday.

Unrest may set back Iran's economic reforms

TEHRAN, July 20: President Mohammad Khatami, already facing major political obstacles in attempts to resolve Iran's economic troubles, may find his opponents strengthened by last week's violent unrest, says Reuters.

The student protests which led to riots in Tehran have unleashed a wave of criticism against Khatami's government from hardline conservatives opposed to his reform policies which they fear could undermine clerical rule in Iran.

"It is certain that the government is impotent in its entirety," said the conservative daily Shoma. "An interior minister who is unable to protect his ministry's gate against rioters... and a central bank governor unable to stabilise the currency, what more do they have to say to the people?"

The president's conservative critics have long urged him to slow down the pace of political liberalisation and instead address the country's economic ills, arguably the strongest challenge facing the Islamic leadership.

"The government is paying more attention to the tug of war to settle political problems. It cannot afford to let go of economic problems, especially with respect to the great army of unemployed youth," said Ali Shams Aradkani, the conservative former head of Iran's Chamber of Commerce.

Those grappling with political issues have no concern about feeding people and creating employment. They don't take responsibility for the negative consequences," he told Reuters.

Iran has been in deep recession for the past few years and suffers from high inflation, officially estimated at 25 per cent but believed to be much higher by independent experts.

Unemployment has also been high, especially among the youth who make up the bulk of Iran's more than 60 million people. Officials put the figure at around 15 per cent, but economists say it is as high as 22 per cent.

Disgruntled youth played a key part in the unrest, Iran's worst since the aftermath of the 1979 Islamic revolution.

Khatami a year ago unveiled a broad economic programme, pledging to fight bureaucratic corruption and red tape and remove other obstacles to recovery.

But his government has been too busy ploughing through sometimes violent opposition to political and cultural reform to be able to do much about the economy. It is also divided internally on economic issues.

The president and his allies insist greater democracy and better relations with other countries are the sure way to economic recovery, a goal which they hope to achieve with Western economic support.

He has striven to present a more friendly and stable image of Iran to the West and end two decades of virtual estrangement.

European countries, heartened by Iran's new conciliatory tone, have moved quickly to normalise ties, but they have been cautious on economic ventures, sending missions to probe the situation but hesitating to make large-scale commitment.

Many Western countries are still unsure about the changes taking place in Iran, and their doubts may increase if Khatami fails to contain an anti-reform backlash after the unrest. Economic relations with the West are largely limited to trade. There has been little direct foreign investment in Iran, except for the energy sector where investors directly deal with the government and can secure necessary guarantees.

But foreign investment is the last thing on the mind of many officials and economists, who feel Iran should deal first with a potential drop in domestic investment.

"No one is now talking about foreign investment. Let's first worry about security needed for domestic investment. Definitely the unrest has had negative effects. This is evident," said Ardakani.

But other analysts say the unrest may be a price Iran has to pay to achieve progress in the long-term.

"Khatami's government has not been able to remove obstacles to development. Right-wing groups have in the past two years imposed on the government a heavy burden of chaos and violence," said Fariborz Raisdana, a pro-reform economics professor.

Now the society is only reacting to these, and it is unfortunate if the authorities decide to suppress it. What we need now is to strengthen democratic institutions, or otherwise we will be destroyed," Raisdana told Reuters.

WB agrees structural loan with Russia

MOSCOW, July 20: The World Bank and Russia's government have reached an agreement in principle on measures underpinning a third Structural Adjustment Loan (SAL-3), the bank said yesterday, reports Reuters.

"I am delighted we have reached agreement on such a comprehensive and credible package of structural reforms," the World Bank quoted its President James Wolfensohn as saying in a statement.

"We are impressed by the strong actions taken in the recent weeks to resume the momentum of structural reform, and believe that the new Russian government led by Sergei Stepashin deserves our strong support."

The World Bank board of directors may consider the loan at a meeting tentatively scheduled for around July 29. If approved by the board, the balance of the revised SAL-3, amounting to \$1.2 billion, is expected to be released over the next year, including \$650 million in 1999.

The agreement is based on a letter of development policy, signed by Stepashin, which sets out the government's plans for structural reforms over the next year and a half.

The reforms mostly relate to infrastructure monopolies, private sector development, fiscal management and the banking sector.

The World Bank and the government have already reached agreements on a Social Protection Adjustment loan and a Coal Sector Adjustment loan, both of which the bank board will tentatively consider by July 23.

Disbursements from the three loans may reach \$ 1.85 billion over a year and a half, including about \$1.1 billion in 1999, if the government sticks to its economic promises.

Associated financing from Japan's Ex-Im Bank could amount to another \$ 1.15 billion, including about \$700 million this year.

VEVEY, Switzerland, July 20: Swiss-based food and drinks group Nestle on Tuesday announced first-half sales of 35.3 billion Swiss francs (\$22 billion), unchanged from the same period last year, says AP.

Nestle said unfavourable foreign exchange rates had a negative impact of around 4.4 per cent on the sales figure. It said it "expects again an improvement in sales and profits" over the full year, barring unforeseen negative factors.

In March, Nestle said its net group profit for last year rose by 2.6 per cent to 4.29 billion Swiss franc (then \$3.15 billion).



Zafar Ahmed Chowdhury, Chairman of United Commercial Bank Ltd, inaugurates the new premises of Khulna Branch at 47, KD Ghosh Road. KC Rezaul Huq, Managing Director, Hamidul Huq, Addl Managing Director, and SM Nazrul Islam, President, Khulna Chamber of Commerce, are also seen in the picture.

UCB Khulna branch managers' confce held

Zafar Ahmed Chowdhury, Chairman of the United Commercial Bank Ltd, has called upon the Branch Managers to ensure full range customer service diversifying the pace of credit operation to accelerate growth in order to contribute in the socio-economic development of the country in the new millennium.

He was speaking as chief guest at the Managers' Conference of Khulna Area branches held in Khulna yesterday, says a press release.

KC Rezaul Huq, Managing Director and Hamidul Huq, Addl Managing Director, spoke on the occasion.

They outlined the operational guidelines and directed the managers to implement them with dedicated professional endeavour.

Earlier, the chairman inaugurated the new premises of Khulna Branch at 47, KD Ghosh Road.

The function was attended by leading businessmen, industrialists, members of Trade & Commerce, elites and cross section of the people.

UCB hosted a dinner on the occasion. It was attended by Sheikh Tayabur Rahman, Mayor of Khulna City Corporation as chief guest Md Abul Kashem, Divisional Commissioner, Khulna Division, Azhar Ali Talukder, Deputy Commissioner of Khulna, Sharif Atiqur Rahman, Chairman of Mongla Port Authority, SM Nazrul Islam, President of Khulna Chamber of Commerce and others attended the dinner.

Further rate cut may create liquidity trap for Malaysia

KUALA LUMPUR, July 20: Malaysia risks creating a "liquidity trap" if it cuts interest rates further in its bid to loosen credit and stimulate recovery, an independent economic think-tank warned today, says AFP.

"Monetary policy is already relaxed and interest rates are already low," Malaysian Institute of Economic Research (MIER) executive director Mohamed Ariff told a news briefing.

"We don't think it is desirable to let interest rates sink any further because this will mean that those who save a lot will not be rewarded. There is already too much liquidity in the system," he said.

"We may run into a liquidity trap," he said at the briefing where the institute released its 1999/2000 economic outlook report.

Mohamed Ariff cited the situation in Japan where interest rates are "close to zero and yet the economy is not moving very much."

Capital controls, including a fixed exchange rate, imposed last September have paved the way for lower lending rates which are now hovering about 7.0 per cent from a peak of over 12.0 per cent last year.

One of the weaknesses of our economy is that domestic debt as a percentage of GDP is very high," he said, warning of rising bad debts.

Malaysia will only see a sustained economic recovery if private sector consumption, which remains subdued amid a poor job market and low consumer confidence, picks up, he said.

"The signals we are seeing now are largely attributed to public sector efforts. A lot of money has been pumped through public sector investment and expenditure and it will take a while before it will spill over to the private sector," he added.

After a 7.5 per cent slump in 1998, the country's first recession in 13 years, MIER forecast 1999 GDP to grow 1.8 per cent this year and 4.3 per cent next year driven mainly by public-sector spending.

The government has projected 1.0 per cent growth this year and 5.0 per cent in 2000.

In its report, MIER said a substantial improvement in net exports and the government's expansionary fiscal and monetary policies would assist the revival.

A major correction in the US stock market could send the US economy into a deeper slowdown, and this might hit Malaysian exports, it warned.

MIER said any slowdown in the pace of corporate debt restructuring could delay private-sector recovery, while prudent banks might not lend as much as needed to spur economic recovery.

It projected private consumption, which contracted 10.8 per cent in 1998, to grow 1.5 per cent this year and up to 7.3 per cent by 2000. Public consumption was expected to rebound from a 7.8 per cent slump to expand 9.5 per cent in 1999 and 8.2 per cent the following year.

MIER projected a trade surplus of 67.6 billion ringgit (17.8 billion dollars) this year and a surplus of 58.6 billion in 2000, against 69.3 billion last year.

The services deficit, which stood at 23.4 billion ringgit last year, was expected to rise to 26.9 billion this year and 28.1 billion in 2000.

The current account surplus, 36.068 billion ringgit in 1998, was forecast to decline to 33.504 billion this year and 23.17 billion in 2000.

Government of the People's Republic of Bangladesh Office of the Executive Engineer Pirojpur PWD Division, Pirojpur

Tender Notice No-03/1999-2000

- Name of work : Construction of 44 Nos New Dist H/Q in Bangladesh one at Pirojpur. SH: Sanitary and water supply arrangement to 800 Sft. (2-Units) Staff Qts (Ground floor) attached to Police Line at Pirojpur, during the year 1999-2000.
- Estimated cost : Tk 2,37,534/-
- Earnest money : Tk 4,751/-
- Date of receiving & time of opening : Up to 12-00 Noon of 29/7/99 and will be opened at 12-15 PM on the same day (In presence of contractor, if any).
- Last date of selling : Up to office hours of 28/7/99.
- Place of selling and receiving of tender documents : Office of the Executive Engineer under PWD Circle, Barisal.
- Eligibility of contractor : Special Class-I (one), Class-II/III enlisted Sanitary and Plumbing contractor of PWD.
- If two or more tenderer become lowest by quoting the same rate then the lowest tenderer will be selected through "lottery" on 08/8/99 at 11-00 AM in the office chamber of the undersigned.

All details information are available in the tender documents.

Md Lokman Hakim
Malik
Executive Engineer
PWD Division, Pirojpur

Shipping Intelligence

Chittagong Port
Berth position and performance of vessels as on 20.7.99