

# Indian industry seeks rate cuts as inflation hits 20-year low

BOMBAY, July 25: As India's inflation rate tumbles to its lowest level in nearly 20 years, the industrial sector is stepping up its campaign for a significant cut in interest rates, says AFP.

Inflation is currently running at around 1.83 per cent, and is expected to drop as low as one per cent over the next three months.

The commercial banks' prime lending rate, however, is 12 per cent, which industry leaders argue is too high and needs to be brought down by about one percentage point.

The prime lending rate is the one banks charge on loans to their most favoured corporate clients.

Adjusted for inflation, the real interest-rate level in India is around 10.2 per cent.

"That is very high by global standards," said analyst Devesh Kumar, at foreign brokerage ABN AMRO Equities.

"In London it is about six per cent while it is about four per cent in the United States."

Kumar predicted that the

central Reserve Bank of India would cut the cash reserve ratio (CRR) or the bank rate, allowing a fall of between a half and one percentage point in interest rates.

According to Kalantri, the inefficiency of India's state-dominated banking sector is a major reason for the high lending rates.

"Ideally the prime lending rate in India should be a maximum of nine per cent. But we are paying for the inefficiencies of the system," he said.

Industrialist Vinay Rai said domestic interest rates should follow international lending and money market rates.

"A few years ago a lending rate of 20 per cent was justified on the grounds that inflation was around 15 per cent. Now when inflation is less than two per cent, lending rates should be brought down accordingly," he said.

The Confederation of Indian Industry has also joined the chorus of complaint.

"It is high time interest rates come down," a recent statement

brought down, we will continue to be a high-cost economy. Once interest rates come down domestic industry and exports will get a boost," he said.

According to Kalantri, the inefficiency of India's state-dominated banking sector is a major reason for the high lending rates.

"Ideally the prime lending rate in India should be a maximum of nine per cent. But we are paying for the inefficiencies of the system," he said.

Industrialist Vinay Rai said domestic interest rates should follow international lending and money market rates.

"A few years ago a lending rate of 20 per cent was justified on the grounds that inflation was around 15 per cent. Now when inflation is less than two per cent, lending rates should be brought down accordingly," he said.

The Confederation of Indian Industry has also joined the chorus of complaint.

"It is high time interest rates come down," a recent statement

by the group insisted.

"Industry has to be competitive at the international level and now that inflation has touched international inflation levels, the lending rate should be brought down."

"Interest cost is a key factor in deciding the viability of industrial projects," the statement said.

However, Hemant Joshi, executive director at the credit rating agency CRISIL, sounded a note of caution.

"There is definitely a case for low interest rates. But the question is how sustainable are the current low inflation levels. Once economic activity picks up and defence spending goes up due to the Kashmir conflict, inflation could go up," he said.

"Besides, the fiscal deficit remains high. The economic revival will increase the need for working capital."

India's economy has just begun to look up after more than two years of slowdown caused by political instability and regional economic turmoil.

## China won't 'swallow bitter fruit' to enter WTO

SINGAPORE, July 25: China will only meet conditions to get into the World Trade Organisation that are required of other developing countries, Chinese Foreign Minister Tang Jiaxuan said Sunday after meeting with US Secretary of State Madeleine Albright, reports AP.

"China would not swallow the bitter fruit in order to get into the WTO," Tang told a news conference after lunching with Albright on the sidelines of a Southeast Asia security forum.

He said he was expecting Albright to bring up the subject of the WTO. "She didn't do that," Tang said. "I was also surprised."

"China's accession to the WTO is required by China's efforts to reform and open up to the outside world," Tang said. "On the other hand, without China's participation, the WTO is not complete."

Washington missed a "precious opportunity" to seal China's WTO membership during Chinese Premier Zhu Rongji's April visit to the United States, when Zhu and Clinton failed to come to terms on China's admission into the WTO.

Clinton said China's offers did not go far enough.

When Premier Zhu got back to China, things got more difficult because the bombing incident happened shortly afterwards, he said. "There lacks the necessary atmosphere for continued negotiations."

Tang was referring to the May 7 NATO bombing of the Chinese Embassy in Belgrade, which killed three people. The United States has said it was an accident, but China remains unsatisfied.

Tang said he had concluded bilateral meetings with Japan and Australia on the WTO issue and would pursue it further with other WTO members.

Agricultural trade conflicts have been one of the major reasons the United States has withheld support for China's WTO membership.

Analysts said Wolfensohn's talks in Amman touched on steps Jordan must

## US, Vietnam reach trade agreement

HANOI, July 25: After three years of wrangling, the United States and Vietnam announced Sunday they have reached agreement in principle on a trade issues, reports AP.

The tentative deal, which still requires approval by the US Congress and Vietnam's National Assembly, is considered the last major step in normalising relations in the wake of the Vietnam War that ended more than 24 years ago.

It could also pave the way for accession to the World Trade Organisation by Vietnam, one of the world's poorest nations.

"We in the US believe this agreement will assist in the transformation and modernisation of Vietnam," Deputy US Trade Representative Richard Fischer told reporters.

Vietnam began opening its markets in the mid-1980s with the Doi Moi restructuring process but has been hit hard by the fallout from the Asian financial crisis.

The pace of reforms has slowed to a crawl over the last two years, and the government has been under growing pressure to speed them up, particularly in restructuring the debt-ridden banking system and improving competitiveness of loss-making state-owned enterprises.

With declines in foreign investment and exports and a rise in unemployment, the government is eager for the hundreds of millions of dollars that a deal is expected to infuse into its economy.

Work began in 1996 on the bilateral trade pact that would give Normal Trading Status — formally known as Most Favoured Nation Status — to Vietnam. Only a few countries, including Cuba and North Korea, do not have such status with Washington.

That would provide Vietnamese exporters entry to the huge US domestic market and grant improved access to the Vietnamese market for US firms.

Talks had stalled over Vietnam's tariffs and unwillingness to open its markets to US investment and services, along

with fears that its fledgling businesses would be at a disadvantage in competing with American companies.

In addition, legislative changes are likely to be necessary, which can be problematic under Vietnam's rule-by-consensus system, along with major reforms in customs and the financial sector.

Most analysts agree that Vietnamese industries are not yet ready to compete with major international companies but say competition would be one of the best ways to help them get up to world standards.

Vietnam's tariffs can be extremely protectionist for fledgling industries, as shown by the 200 per cent duty imposed on automobile imports.

The ninth round of talks began Tuesday between Ministry of Trade officials and US deputy assistant trade representative Joseph Diamond. Fischer flew in late Thursday to join the negotiations.

After the last round of talks ended in March, officials said they largely had the framework of a deal but still were very far apart on a handful of contentious issues. As of Friday, Fischer said there still were "some significant gaps" to bridge.

There had been a certain amount of pressure to conclude the deal quickly. Analysts said that if an agreement is not signed this year, US presidential elections will draw attention away from the talks through 2000 and then lapse into the following year.

The deal, which is about 100 pages long, will need to undergo official translation before being signed, probably in September, and presented to both countries' legislatures. Without snags, implementation would be by early year.

US Ambassador Pete Peterson has been one of the biggest backers of finalising a trade deal.

The Association of South-East Asian Nations on Saturday urged the World Trade Organisation to expedite the admission process for Vietnam, Cambodia and Laos.

## Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative)

Currency	Selling TT & OD	Selling BC	Buying T.T Clean	Buying OD Sight Export Bill	Buying OD Transfer
US Dollar	49.7300	49.7700	49.3200	49.1570	49.0850
Pound Stg	78.9712	79.0348	77.2844	77.0230	76.9162
Deutsche Mark	27.1174	27.1392	26.1197	26.0334	25.9952
Swiss Franc	32.7667	32.7930	32.0530	31.9471	31.9003
Japanese Yen	0.4308	0.4193	0.4179	0.4173	0.4173
Dutch Guilder	24.0672	24.0665	23.1817	23.050	23.0712
Danish Krona	7.0409	7.0466	6.8835	6.8007	6.8507
Australian \$	32.7373	32.7636	31.4563	31.3523	31.3064
Belgian Franc	1.3148	1.3158	1.2665	1.2822	1.2603
Canadian \$	33.3535	33.3803	32.4047	32.2976	32.2903
French Franc	8.0854	8.0919	7.7880	7.7622	7.7508
Hong Kong \$	6.4207	6.4268	6.3423	6.3212	6.3121
Italian Lira	0.0274	0.0274	0.0263	0.0263	0.0263
Norway Krone	6.3691	6.3742	6.2600	6.2402	6.2310
Singapore \$	29.6418	29.6656	28.6961	28.6559	28.5594
Saudi Rial	13.2954	13.3061	13.1149	13.0716	13.0524
UAE Dirham	13.5774	13.5883	13.3913	13.3470	13.3275
Swedish Krona	5.9607	5.9665	5.8837	5.8642	5.8567
Qatar Rial	13.6990	13.7100	13.5096	13.4640	13.4443
Kuwaiti Dinar	168.1488	168.2840	156.1006	155.5847	155.3669
Thai Baht	1.3309	1.3320	1.3178	1.3136	1.3116
Euro	53.0370	53.0797	51.1167	50.9168	50.8422

## Bill buying rates

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

49.2112 48.9090 48.4980 48.0870 47.6760 46.8540

## 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 5.1782 5.310000 5.62800 5.6775 5.7785

78.9162 78.9712 GBP 5.18563 5.18899 5.39734 5.47953 5.61206

Cash/TC Cash/TC Euro 1.263000 1.265000 1.293000 1.29105 1.309000

## Exchange rates of some Asian currencies against US dollars

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

43.2043/30 51.2651/32 37.38/37.41 3.7997/3.8003 625/6975 1206/1209

## Amex notes on Sunday's market

The interbank USD/BDT market was very dull on Sunday due to international weekend. Interbank USD/BDT market has become moderately active during later part of last week though there were few deals in the market. Average USD/BDT rate was 49.6500.

Call money market was steady, average call rates ranged between 6.00-6.25 per cent.

In New York on Friday, the dollar ended last week of dramatic losses shaped largely by a shift in sentiment about global growth with another dip against the Euro while it clawed back some ground against the yen. After failing for most of its six-month life, the Euro challenged pundits' recent bets that dollar parity was only a few days away and surged to end the week nearly four per cent higher. At the New York close, Euro/dollar stood at \$1.0508/1.0515, a touch above the \$1.0499/1.0503 open. On Friday, the benchmark Dow Jones industrial average closed down nearly 60 points at 10910.96 as the yield on the benchmark 30-year Treasury bond topped 6 per cent for the first time in two weeks. By Friday morning an exhausted market preferred to consolidate on dollar losses rather than stake out new territory for the yen and euro.

As the Euro sailed higher, the Swiss Franc and British Pound followed along, hitting multi-week highs. The dollar dipped to 1.5277/87 Swiss Francs at the close from 1.5287/87 at the open. The British Pound closed at \$1.5770/80. It tailed off its highest levels this month after having opened at \$1.5822/32.

In New York on Friday, the majors closed against USD at 116.52/116.62 JPY, 1.5277/1.5287 CHF, Euro at \$1.0508/1.0516 GBP at \$1.5770/1.5780.

## Shipping Intelligence

### Chittagong Port

Berth position and performance of vessels as on 25.07.99

Berth No	Name of vessels	Cargo	L port call	Local agent	Date of arrival	Leaving






</