

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

US, Vietnam reach trade agreement

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.

The CRR, now at 10 per cent, is the money that banks must keep with the central bank, while the bank rate is the one at which the central bank lends to commercial banks.

Kumar said a fall in real interest rates would make domestic investments more attractive and cut costs in the economy.

"In the current situation, after the economic slowdown, capital requirements are unlikely to be big as companies have learnt to use capital more efficiently, so there is little risk that demand for funds will push up inflation and interest rates significantly," Kumar said.

Vijay Kalantri, chairman of the All India Association of Industries, said the level of inflation warranted a cut of two percentage points in the prime lending rate.

"If interest rates are not

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 came 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.

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 also could 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 assessed 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 such 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) against the Taka to major currencies					
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 Sig	78.9712	79.0348	77.2844	77.0290	76.9162
Deutsche Mark	27.1174	27.1392	26.1197	26.0334	25.9992
Swiss Franc	32.7667	32.7930	32.0530	31.9471	31.9003
Japanese Yen	0.4305	0.4308	0.4193	0.4179	0.4173
Dutch Guilder	24.0672	24.0865	23.1817	23.1050	23.0712
Danish Krone	7.0409	7.0466	6.8835	6.8607	6.8507
Australian \$	32.7373	32.7636	31.4563	31.3523	31.3064
Belgian Franc	1.3148	1.3158	1.2864	1.2822	1.2803
Canadian \$	33.3535	33.3803	32.4047	32.2976	32.2503
French Franc	8.0654	8.0919	7.7880	7.7622	7.7508
Hong Kong \$	6.4207	6.4258	6.3423	6.3214	6.3121
Italian Lira	0.0274	0.0274	0.0264	0.0263	0.0263
Norway Kroner	6.3691	6.3742	6.2009	6.2042	6.2010
Singapore \$	29.6418	29.6666	28.6961	28.6013	28.5594
Saudi Rial	13.2564	13.3001	13.1149	13.0716	13.0524
UAE Dirham	13.5774	13.5983	13.3913	13.3470	13.3275
Swedish Krona	5.9607	5.9655	5.8837	5.8642	5.8567
Qatar Riyal	13.6990	13.7100	13.5006	13.4640	13.4443
Kuwait Dinar	168.1488	168.2840	156.1006	155.5847	155.3569
Thai Baht	1.3309	1.3320	1.3178	1.3136	1.3116
Euro	53.0370	53.0797	51.1167	50.9188	50.8422

Bill buying rates	30 Days	60 Days	90 Days	120 Days	180 Days
49.2112	48.9090	48.4980	48.0670	47.6760	46.9540

US Dollar London Interbank Offered Rate (LIBOR)					
Buying	Selling	1 Month	3 Months	6 Months	12 Months
49.0850	49.7300	USD 5.1785	5.13000	5.62500	5.67750
76.9162	78.9712	GBP 5.1853	5.18999	5.39734	5.47953
Cash/TC	Cash/TC	Euro 2.63000	2.66500	2.93000	2.99125

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	6925/6975	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 falling for most of its six-month life, the Euro challenged pundits' recent bet 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 the week's 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 1.5277/1.5278 Swiss Francs at the close from 1.5287/1.5288 at the open. The British Pound closed at \$1.5770/1.5780, it tallied off its highest levels this month after having opened at \$1.5822/1.5832.

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
J/1	Tasmania	Q	Nishan	R/A	29/7	
J/2	Dewan-1	Rice(P)	Kara	AML	9/7	30/7
J/3	Sun Ocean	GI (Log)	Yang	SMSL	4/7	30/7
J/4	Great Cheer	GI (D/P)	Sing	Rainbow	7/7	31/7
J/5	Phaethon	Sugar(G)	Durb	OWSL	10/6	26/7
J/6	Obruch	Wheat(G)	Swish	LSC	25/6	27/7
J/8	Pericles	Sugar(G)	Sant	Litmond	10/7	30/7
J/9	Min Jiang	Q	Sing	BDship	28/6	27/7
J/10	Osterlesland	Sugar(G)	Sant	Litmond	10/7	3/8
J/11	Sheng Mu	Wheat(P/G)	Sing	MSA	4/7	2/8
J/12	QC Mallard	Cont	Sing	QCSL	16/7	27/7
J/13	Banglar Robi	Cont	Sing	BSC	23/7	27/7
CCT/1	Kota Cahaya	Cont	Sing	Pil(BD)	17/7	25/7
CCT/2	Bunga Mas Lima	Cont	P. Kel	EOSL	10/7	27/7
CCT/3	Eliza	Cont	Col	Baridhi	24/7	27/7
RM/14	BUTI	Cement	Col	ABLE	R/A	29/7
RM/15	Sarah-1	Rice(P)	Col	SMSL	R/A	26/7
CJ/1	Alert	C. Clink	Taiw	RML	8/7	25/7
GSJ	Al Buraq	C. Clink	Puke	FSAL	10/6	25/7
TSP	Chopel-1	R. Phos	Indo	Seacom	4/7	30/7
RM/4	Kemilau	C. Clink	Tanj	PSAL	13/7	3/8
RM/6	Borobudur	Cement	Zaka	USTC	11/7	6/8
DOJ	Everside Glory	Cement	Sing	USTC	19/5	3/8
DDJ/1	Tanary Star	IDLE	Sing	PARA	16/7	27/7
DDJ/2	A A Venture	Repair	Mong	BSA	10/6	26/7
RM/8	Sea World	Repair	Mong	CNCL	R/A	5/8
RM/9	Banglar Jyoti	Repair	Mong	BSC	R/A	27/7
SM-10	Tug Le Mecareux	Empty	Chand	Karna	R/A	

Vessels due at outer anchorage					
Name of vessels	Date of arrival	L port call	Local agent	Cargo	Loading port
Yang Lin	25/7	Xin	BDP	Q	
Jaani	26/7	Yang	Royal	GI (D/P)	
Assimina	25/7	A. Suk	JF	Scraping	
Esco Argo	26/7	Sing	Prog	Q	
Kota Berjaya(Cont)	15/7	Sing	Pil(BD)	Cont	Sing
Vishva Prafulla(Cont)	20/7	Viza	SLL	Cont	
Martina	27/7	Mong	SMSL	Survey Purpose	
Ocean-1	28/7	Yang	SMSL	Q	
Revenge	30/7	Q	Sunshine	Salt(G)	
Sin Hai(Cont)	18/7	PKL	RSL	Cont	Sing
Alex(Cont)	15/7	Sing	Everett	Q	
Tiger River(Cont)	18/7	Sing	NOL	Cont	Sing
QC Pintall(Cont)	18/7	Sing	QCSL	Cont	Sing
Banglar Doot	31/7	Mong	BSA	CL	
Bunga Mas Enam(Cont)	19/7/28/7	P. Kel	EOSL	Cont	Sing
Kota Singa(Cont)	19/7	Sing	Pil(BD)	Cont	Sing
Joy World(48/5/7)	29/7	Sing	SLL	GI(S/Coil)	
Banglar Gourab	30/7	Kara	BSC	GI/Rice	
Brisa Azul(48/15/7)	30/7	Yang	Everett	Q	
Ultima(Cont)	18/7	Sing	QCSL	Cont	Sing
Jaya Mars(Cont)	21/7	Col	Baridhi	Cont	Col
Star Glory	31/7	PSAL	Cement		
Duden	31/7	Texa	Litmond	Wehat(P)	
Bunga Mas Lapan(Cont)	21/7/31/7	P. Kel	EOSL	Cont	Sing
Banglar Shikha(Cont)	21/7	Sing	BSC	Cont	Sing
Kota Naga(Cont)	1/7	Sing	Pil(BD)	Cont	Sing
Xpress Makahi(Cont)	11/7	Sing	RSL	Cont	Sing
Xpress Resolve(Cont)	4/7	Sing	RSL	Cont	Sing

Tanker due
NIL

Name of vessels	Cargo	Last port call	Local agent	Date of arrival
Energy Explorer-IV	-	-	BBAL	5/4
Seabulk Command	-	-	IBS	R/A/5/7
Seabulk Eagle	-	-	-	R/A/9/7

Vessels at outer anchorage
Ready on

Youngly	C. Clink	PSAL	R/A/21/6
Lokprattina	Fert	P. Sant	Litmond
Eleftheria	Sugar(G)	Sant	Fortune
Michelle	GI (D/P)	Sing	MSA
Saugon-1	R. Phos	Jibo	Seacom
Noppon Naree	R. Seed	Sing	Rainbow
QC Teal(Cont)	Cont	P. Kel	QCSL
Da Fa (Cont)	Cont	P. Kel	BSA
Banga Birol(Cont)	Cont	Sing	BDship
Nordkap(Cont)	Cont	Sing	RSL

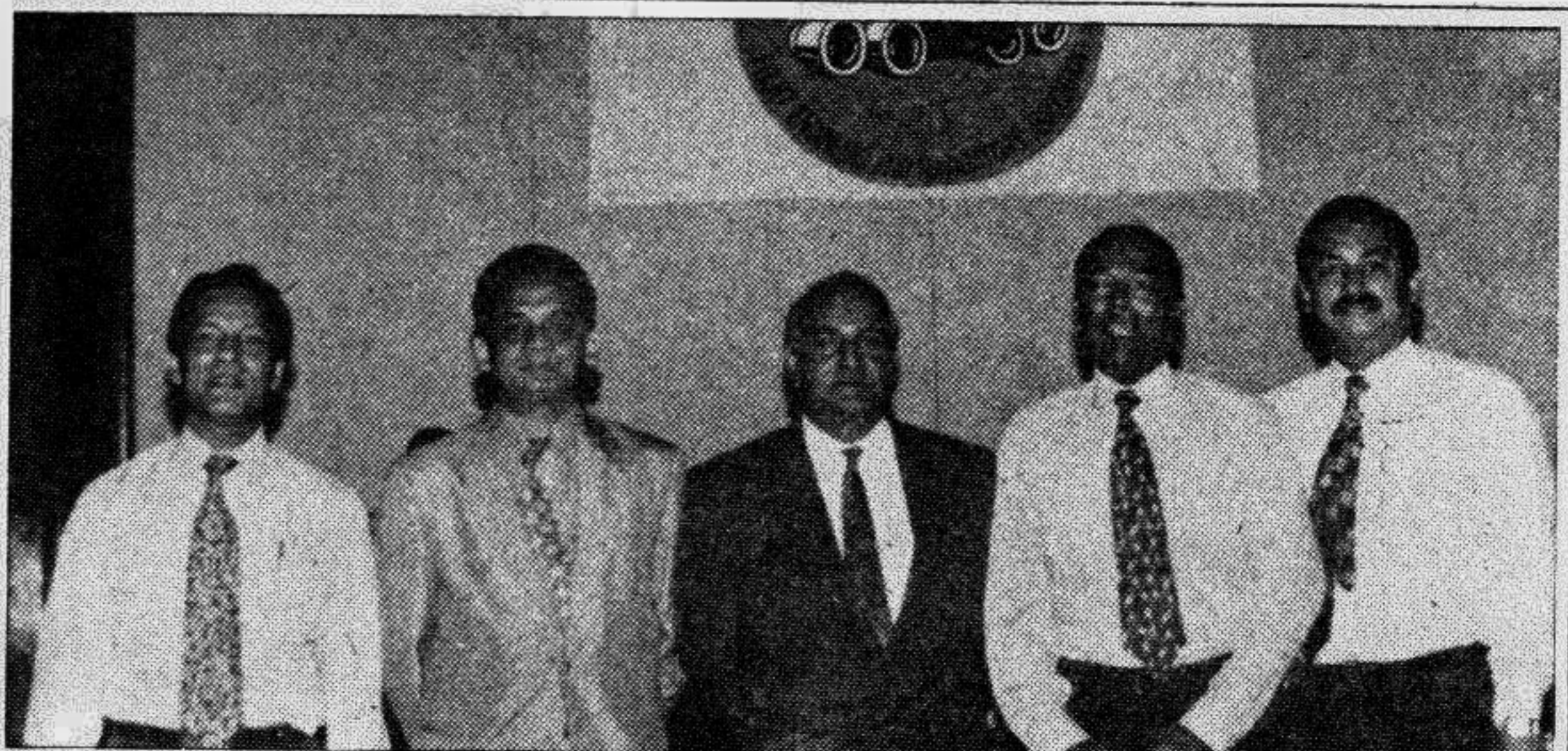
Vessels not ready

Feng	Wheat(P)	NEWO	OWSL	8/7
Banglar Moni(Cont)	Cont	Sing	BSC	22/7
Lipetok	CDSO	Durb	Rainbow	23/7
Minerva-P	Wheat(P)	Houat	Rainbow	23/7
Tug Hua Xiang	-	JEDD	Karna	24/7
Zoom Ocean	Cement	Puke	ABLE	21/6

Vessels awaiting instruction

Karya Sentosa	Rice(G)	USTC	R/A/10/9
Ritz	Rice(P)	Kaki	Cross
Delta Star			R/A/24/9
Palau Mawar		Bank	RSA
			R/A/7/7
		Bank	OLM
			8/1

The above are shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.



Flight Engineers and Navigators Association (FENA) of Biman accorded a reception to Chowdhury M Mohsin, Secretary of Civil Aviation and Tourism Ministry, at Sonargaon Hotel recently. Picture shows (from left) General Secretary of FENA Faezul Islam, Biman Managing Director Rafiqul Islam, Chowdhury M Mohsin, FENA President Abdullah Mohib Uddin and Vice President Sharif Alamgir at the function.

China won't let politics mar trade ties with Taiwan

HONG KONG, July 25: Beijing will try to protect important economic ties with Taiwan despite an escalation of their political differences, analysts said, reports Reuters.

Taiwan businesses have invested at least \$30 billion and perhaps up to \$60 billion in mainland China since the late 1980s, overcoming a ban on direct trade and transportation links by routing all legal commerce through third centres like Hong Kong.

Taiwan now ranks second behind Hong Kong as China's largest source of foreign direct investment, despite repeated bouts of diplomatic tension over the island's political status.

With mainland growth on the decline, unemployment rising, and many state sector reform programmes grinding to a halt, analysts said Beijing

would try throughout this latest crisis — Strait flare-up to protect a vital source of investment and a key plank in its reunification strategy.

"During the 1996 missile crisis) they made absolutely sure no Taiwan company was bothered by sending teams of officials out from Beijing to tell local officials not to harass them," said Bill Overholt, Asian strategist at Nomura International.

Beijing will certainly do the same again, he said, and not just because it needs the cash; unofficial trade and investment ties bring Taiwan one step closer to the mainland.

Given the ban on direct links, the size of Taiwan's economic ties with the mainland is remarkable, said analysts.

"Taiwan businesses are the most successful on the mainland, because they know how to

operate in that environment," said Andy Xie, managing director at Morgan Stanley Dean Witter Asia.

It is virtually impossible to separate out the Taiwanese from the mainland Chinese, and the government feels comfortable with these people because they come in and don't complain about the legal framework and so on, like Europeans and Americans.

Analysts said Beijing hopes these economic links will help ensure Taiwan's return to China, a strategy that mirrors the Hong Kong takeover.

Long before the 1997 sovereignty switch, Hong Kong's economy became inextricably linked with the mainland, strengthening ties while maintaining independent economic systems called for under the 'one country, two systems' formula.

Clinton said China