

# India to spend half its revenue for paying interest on debt

## Food subsidies seen feeding huge debt

NEW DELHI, Feb 29: India will spend nearly half its tax revenue this fiscal year paying interest on debt, the government said Monday in an economic report preceding its budget proposal to Parliament, says AP.

Another major area of concern before the government is the burgeoning fiscal deficit largely because of sharply rising food subsidies, said the annual Economic Survey.

An increasing food subsidy bill adds to this deficit, the survey said.

Analysts suggested that the remarkable candor in the report may indicate the government intends to announce strong measures, such as food subsidy cuts.

The government will have paid out 82 billion rupees (\$1.88 billion) in food subsidies when the current fiscal year ends March 31. During that same period, the survey said, the government expects the fiscal deficit to be the 4.1 per cent of gross domestic product, indicating the state will miss its target of bringing the deficit down to 4 per cent.

The report said that India will spend what it called a "staggering" 48 per cent of tax revenues this fiscal year on interest for the national debt. "This is the single largest component of the non-plan revenue expenditure and is in the nature of committee expenditure arising out of past fiscal profligacy," the survey said.

It said the large fiscal deficit has a wide range of adverse effects, including low savings and investment, high interest rates and reduced growth.

The survey is remarkable for its candor, and could be seen as a forecast of cuts in subsidies and other expenses, said Abheek Barua, an economist at DSP Merrill Lynch told Dowjogee Newsires. The survey advised that state-run companies must attempt a comprehensive programme of early retirement. "Some such strong steps may be announced in the Tuesday budget," Barua said.

India is in the midst of a broad-based industrial recovery, the report said, but needs immediate reorganisation of state-run companies and stricter corporate governance laws to sustain the progress.

The Indian economy is projected to grow by 5.9 per cent in the past year. The slower growth from 6.8 per cent in 1998-99 was because of a fall in agricultural growth from 7.2 per cent to 0.8 per cent. Some states were flooded, while some other had poor monsoon rains.

Labour laws in India make it difficult for companies to get out of unprofitable businesses, and the survey said changes in such laws are necessary to keep the recovery going.

However, the report said that foreign direct investment continues to decline from the \$3.3 billion per year India enjoyed before the government set off nuclear tests in 1998, drawing economic sanctions from the United States, Japan and other countries.

India's external debt was \$98.87 billion at the end of last September, or 22.3 per cent of gross domestic product.

"Industrial growth is moving on a rising trajectory, and the broad-based nature of recovery is apparent," the survey said. "Basic goods, intermediate goods and consumer goods have all recorded accelerated growth."

But faster-paced reforms are needed, particularly in the financial system and labour markets, to sustain the "broad-based industrial recovery (that) is underway," the report said.

Other immediate needs are reorganisation of state-run companies and stricter corporate governance laws, the survey said.

Also, more roads, electricity and telecommunications services are needed, and should be provided faster by getting commercial businesses more involved in building them, and relying less on government funds, the survey said.

"The widening gap between demand and supply of infrastructure continues to raise questions concerning the sustainability of economic growth in future," the survey said.



Chairman of National Housing Finance and Investment Ltd M Matul Islam presides over the company's first annual general meeting in the city recently. —National Housing photo

### First AGM held National Housing lowers interest

National Housing Finance and Investment Ltd has decided to reduce its interest rate on mortgage financing from 16.5 per cent to 15.75 per cent, says a press release.

The decision was made at the company's first annual general meeting held in the city recently.

In a bid to expand operation, the company also decided to diversify its activities to cover other cities and finance reputed private developers.

It will finance the developers especially for constructing home units in large multistoried apartment complexes for middle-class city-dwellers.

In a report to the shareholders, the directors noted that during the first seven months of its operation, the company sanctioned home mortgage loans in excess of Tk 16 crore to 112 applicants in Dhaka city.

National Housing is a non-banking financial institution in the private sector and owned by a number of banks, insurance companies and industrial houses with large participation by non-resident Bangladeshis.

The AGM, presided over by company Chairman Matul Islam, was attended by the directors and shareholders of the company.

# US bluntly rejects European Union's IMF candidate

## Already strained transatlantic ties take turn for worse

WASHINGTON, Feb 29: Finally, the gloves have come off, says Reuters.

Already strained transatlantic ties took a turn for the worse yesterday when Washington bluntly rejected Germany's candidate to head the International Monetary Fund, telling Europe in no uncertain terms their man was not good enough.

US officials had long been opposed to Germany's Deputy Finance Minister Caio Koch-Weser as a replacement for Michel Camdessus, the ex-head of the Washington-based lending agency, though they had always been reluctant to say so openly.

Washington's sudden and outright rejection of the former World Bank official was remarkable for its lack of diplomatic restraint, coming just hours after he was formally and unanimously endorsed by the 15-member European Union.

US officials privately said they did the world a favour by speaking up as nobody else had the guts to prevent Koch-Weser from getting a job he just was not qualified for.

But the increasingly noisy bickering between Washington and Berlin has raised serious questions over the future of US-European cooperation, long the backbone of such top international fora as the Group of Seven industrial nations.

Proud of their status as the world's number three economy and Europe's undisputed powerhouse, German in particular have become increasingly irritated with what many there see

as a US tendency to lecture others on everything from the right economics to the correct security policy.

At last month's meeting of G7 finance ministers in Tokyo, Germany flatly rejected US suggestions that Europe should do more to help balance uneven world growth.

In typically blunt style, US Treasury Secretary Lawrence Summers had told his European counterparts off for settling for second-best when it comes to the growth of their economies.

An indignant German Finance Minister Hans Eichel, his mood already soured by the weakness of Europe's single currency, the euro, told Washington to clean up its own economic house.

Now, the tough US stance in the IMF succession battle shows just how much weight the world's top economy is giving to developing countries, whose complaints about back room deals helped sink the Seattle trade talks last December.

With Koch-Weser's candidacy all but dead, Washington insiders say the ball is now firmly in Europe's court.

The IMF's leadership has long been a preserve of the Europeans, while the United States has traditionally filled the top job at the IMF's sister institution, the World Bank. But observers say that unwritten rule was devised half a century ago and it's high time to come up with something better.

Developing countries last week put up their own candidate, IMF acting boss Stanley Fischer, a naturalised American born in what is now Zambia. Japan, eager not to be left out, nominated Eisuke Sakakibara, a former finance ministry official.

None of the candidates had any chance of winning without the outright support of the United States, which is the IMF's biggest shareholder with 18 per cent of the votes.

The IMF succession saga is set against a backdrop of heightened US-European trade tensions and is also the latest in a string of bitter rows of about top international jobs.

Another report from Brussels says: The contest to succeed Michel Camdessus as head of the International Monetary Fund officially became a three-horse race yesterday after Germany's Caio Koch-Weser won the unanimous backing of the European Union, says Reuters.

The 15-nation bloc's finance ministers, meeting in Brussels, said the move would send a strong signal that Europe, which has traditionally held the IMF top job, was determined to retain its influence in one of the key posts in international finance.

Koch-Weser, Germany's deputy finance minister and a strong behind-the-scenes mediator, had struggled to win over some EU partners, notable France and Britain, who were concerned he lacked international experience.

### China to buy US wheat to improve trade ties

WASHINGTON, Feb 29: China announced Monday that it will buy \$6 million worth of US wheat, its first purchase of American agricultural produce under concessions it made last year in a bid to win improved trade relations, reports AP.

It is considered a trial-size shipment, but Clinton administration said it was evidence of China's intention to follow through with an agreement reached last November. In exchange for lowering its barriers to US farm products, China is seeking US backing for its entry into the World Trade Organisation and an end to the annual congressional reviews of its US trade status.

It will mark the first time China has bought wheat from the Pacific Northwest in more than two decades. Wheat shipments from that region had been barred because of China's contention that the grain contained excessive amounts of fungus.

Allowing shipments from the Pacific Northwest will save on freight costs and help US farmers compete with producers in other countries for sales in the huge Chinese market.

### Standard Bank opens first rural branch

The Standard Bank opened its first rural branch (first regular branch) recently at Chowdhury Hat, Fateyabad, Hathazari, Chittagong, says a press release.

Minister for Civil Aviation, Tourism, Housing and Public Works Engineer Mosharrar Hossain attended the occasion as chief guest while Mayor of Chittagong City Corporation Alhaj A B M Mohiuddin Chowdhury was present as special guest.

Speaking on the occasion Engineer Mosharrar Hossain said this rural branch would work for the strengthening of rural economy. Besides working for the rural trade and finance, SBL's Chowdhury Hat Branch would also function like other scheduled commercial bank.

Alhaj A B M Mohiuddin Chowdhury asked the bank management to take extra caution in investing the bank's money. They must ensure repayment of loans by taking appropriate ways and means before granting them, he stressed.



Engineer Mosharrar Hossain, Minister for Civil Aviation, Tourism, Housing and Public Works, addresses the inaugural ceremony of Chowdhury Hat Branch (1st rural and 5th regular branch) of the Standard Bank Limited at Fateyabad, Hathazari, Chittagong recently. A B M Mohiuddin Chowdhury, Mayor of Chittagong City Corporation, Kazi Akramuddin Ahmed, Chairman, and Kamal Mostofa Chowdhury, Vice Chairman of SBL, are also seen. — Standard Bank photo

**Government of the People's Republic of Bangladesh**  
Office of the Executive Engineer  
Savar PWD Division, Dhaka

**Corrigendum Notice No. 1 (one)**

In pursuance of this office Memo. No. 136(45) dt. 30-01-2000 for Notice Inviting Tender of Tender No. 40/1999-2000 for the work "Establishment of Fire Service & Civil Defence Station at 32-important thana sadar/places. (Sub-Head : Construction of boundary wall at Savar Fire Service and Civil Defence Station, Savar in Dhaka District) it is notified to all concerned that the following corrections in the above notice inviting tender has been made.

- 1) The date of last selling and receiving of tender will be 06-03-2000 and 07-03-2000 instead of 23-02-2000 and 24-02-2000 respectively.
- 2) Lotteries will be held on 15-03-2000 at 11-30 AM instead of 06-03-2000 at 12-30 PM in the office chamber of the undersigned.

All other terms and conditions will remain unchanged. This corrigendum notice will be a part and parcel of the tender document.

Md. Matiar Rahman  
Executive Engineer  
Savar PWD Division  
SB Nagar, Dhaka

DIP-4503-27/2  
G-173

**Bangladesh Sugar & Food Industries Corporation**  
3 No Dilkusha CA, Purbarag Bhaban (1st Floor), Dhaka

**Pre-qualification of Consultant**

Sealed tenders are invited by the Chief Engineer (Civil), Bangladesh Sugar & Food Industries Corporation from bonafide and reputed consulting firms for pre-qualification for supervising, designing, estimating, preparation of tender documents etc. for construction of Multi-Storied Office Building under Bangladesh Sugar and Food Industries Corporation at 3 No, Dilkusha CA, Dhaka. Pre-qualification form will be available from the Accounts Division, Bangladesh Sugar & Food Industries Corporation, Adamjee Court (4th floor), 115-120, Motijheel CA, Dhaka on payment of Tk. 1000/- (one thousand) only (non-refundable) from 28.2.2000 to 8.3.2000 during office hours up to 12:00 Noon. Before purchasing of pre-qualification form the intending firm shall have to submit a certificate to the Chief Engineer (Civil), regarding successful rendering of consultancy service for Multi-Storied Commercial Building (not less than 20 (twenty-storied) from an officer not below the rank of Executive Engineer. The application for pre-qualification forms will be received by the Chief Engineer (Civil) up to 12:00 hrs. on 12.3.2000 and will be opened at 12:15 hrs on the same date in presence of the tenderers if any. Bangladesh Sugar & Food Industries Corporation reserves the right to accept or reject any or all pre-qualification application without assigning any reason thereof.

S-P-250  
DIP-4234-24/2  
G-369

**M A Matin**  
DGM (Civil)

# New mad cow disease case Denmark, Lithuania ban beef sale

COPENHAGEN, Feb 29: Denmark banned the sale of beef on the bone yesterday following a new case of "mad cow disease," reports AFP.

Lithuania, across the Baltic Sea from Denmark, banned imports of Danish cattle, beef and by-products immediately the news became known.

The ban will remain until Lithuania's veterinary agency is satisfied no tainted products are on the market, its director, Kazimieras Lukauskas, told the ELTA news agency.

In Copenhagen, Danish Food, Agriculture and Fisheries Minister Ritt Bjerregaard announced the beef-on-the-bone ban at a press conference, saying, "the security of consumers is our first priority."

"We need to act resolutely because we are in a very serious situation," she said.

"This case is the first among Danish cows" and "the second since this disease erupted in Britain" the minister said. A 1992 case of bovine spongiform encephalopathy (BSE) involved a Scottish cow imported from Britain.

The newly infected animal, a three year-old in a herd of 73 in the north of the Jutland peninsula, was slaughtered and the herd placed in quarantine. The entire herd is to be slaughtered.

The owner notified the animal acting strangely as it went for slaughter. An analysis at the abattoir raised the suspicion of the veterinarian, who sent a sample of the beast's brain tissue to a British laboratory.

The diagnosis, received Sunday evening, was unfortunately that it was mad cow disease," said Bjerregaard, who has informed the European Commission and ordered the implementation of EU measures in such incidents.

"One case is one case too much. We are taking this case very seriously and will follow it closely," the minister said.

Wholesalers and retailers have been ordered to withdraw from sale all beef cuts such as T-bone, rib steak, any beef located next to the spinal cord as well as products manufactured from brains, eyes and tongues.

# Euro zone needs to step up reforms

OECD review says

PARIS, Feb 29: The OECD said today the euro zone should step up structural reforms and that continued wage restraint would limit the need for interest rate rises to tame inflationary pressure as economic growth gains speed, reports Reuters.

"At the start of the second year of monetary union, confidence remains high and macroeconomic prospects look favourable," the organisation for Economic Co-operation and Development said in a review of the Euro's 1999 debut year.

"The aggregate output gap is projected to be eliminated over the next two years, which would be the first time in almost a decade," the report, called "EMU One Year On," said.

"While at some point this might start to feed inflationary pressures, the pace of consumer price increases is projected to stay below two per cent on an annual average basis, helped by a gradually firming macroeconomic policy stance," it said.

"Wage moderation, if sustained would limit the needed tightening of monetary policy and would promote employment and hence growth," it said.

The OECD report said fuller implementation of the European Union's single market legislation would also help and that the need for deregulation was particularly conspicuous in "network sectors" and public procurement.

"The brighter conjunctural outlook provides a golden opportunity to step up structural reforms so as to create the conditions for the ongoing recovery to develop into a long-lasting period of vigorous growth, rising living standards and falling unemployment," it said.

The OECD, whose review concerns the first year of the Euro and does not cover the European Central Bank's latest interest rate increase in February, also said monetary policy communication with financial markets could be improved.

This announcement appears as a matter of record only

**PEPSI**

**TRANSCOM BEVERAGES LIMITED**

**Acquisition Finance and Syndication of Term Loan of BDT 500M**

**Advisor and Arranger**

**Specialist Finance and Advisory Services Unit**

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**AB BANK Arab Bangladesh Bank Limited**

**National Bank Limited**

**S Southeast Bank Limited**

**CA Credit Agricole Indosuez**

**ANZ Grindlays Bank (also as Agent)**

**February 2000**