

# Reservations About New CBI Package



➤ Labor Minister Jahromi has warned that as a consequence of the new banking policies, banks will be encouraged to get into the investment market and trade.

Labor Minister Mohammad Jahromi in a letter to President Mahmoud Ahmadinejad sought amendments to the new package of banking policies presented by the Central Bank of Iran (CBI).

According to Far news agency, the minister said, the new package of banking policies drives the last nail into the coffin of the production sector as it will hinder the much needed investment.

According to the official, the new policies will further push up inflation and channel excess liquidity to less productive sectors such as trade.

Central Bank of Iran offered a new package of regulatory policies for the banking system for the current Iranian year, (started March 20). The new package will establish bank lending rates on the basis of the rate of inflation.

Under the new policy, there will be a single set of monetary and financial regulations for all state-owned and private banks as well as financial and credit institutes. In addition, bank loans will only be extended to agricultural, industries and mine, construction, exports, trade and services sectors.

In this respect, Deputy Governor of CBI Hossein Qazavi told ISNA that bank lending rates will remain at 12 percent, maintaining that government policies are in line with new banking policies.

He, however, said banks have been urged to participate in joint projects in which minimum profits made will be equal to the rate of inflation plus three percent.

According to the official, banks are not allowed to use the deposits of saving accounts in joint ventures in which future profits will not be above the rate of inflation plus three percent.

The official added, "The package has been devised on the assumption that the executive branch agrees that monetary policies should be disciplined. That explains why last year's budget growth was less than those in previous years. This year, likewise, the government has plans to keep its current expenditures in check, especially foreign exchange expenses."

Qazavi reiterated that the government's policies are in accordance with the CBI's latest package of monetary policies which has been approved by CBI's Strategic Council. "Once implemented properly and efficiently, the new policies will regulate banking transactions. They will also control the government's foreign exchange expenditures."

He said that banks will not be allowed to withdraw more money than what they have been allocated from the Central Bank to grant loans. "The plan is to adjust the government's foreign exchange expenditures. In other words, the volume of foreign exchange in the market will be balanced with demand."

According to the official, "If implemented efficiently, the CBI will no longer have to sell excess foreign exchange in the market. The excess foreign exchange will be deposited in the Oil Stabilization Fund which plays a key role in curbing the growth of liquidity."

However, in his letter to the president, Labor Minister Jahromi asked whether the CBI has the authority to devise and notify banking policies without the approval of the Money and Credit Council, the Economic Commission or the Parliament?

He maintained that some of the points in the package are positive and noteworthy, but there are also missing links that need to be addressed since they go against the economic development plans and are in no way in line with the banking policy.

He warned that, as a consequence, banks will be encouraged to get into the investment market and trade.

He explained that banks traditionally tend to direct their resources toward the commercial sector. "For this reason, they should be discouraged from long-term investments. However, the new policies give a bigger share to the commercial sector than say the industries and agriculture sectors. This can practically deal a major blow to the much needed investment in the production sector, and as a result, destabilize employment and augment inflation," he said.

"Seeing that the government is serious about supporting the production sector and creating new job opportunities, the economic commission must discuss the new package of banking policies and make the necessary adjustments so that they address the above-mentioned areas of concern," the minister concluded in his letter.

## News in Brief

### Nabucco Project Unlikely Without Iran

National Iranian Gas Exports Company says the Nabucco project to transfer gas from the Caspian Sea to Europe cannot succeed without Iran.

Speaking to Fars news agency on Sunday, the company's managing director, Nosratollah Seifi contended that the 3,000-km long Nabucco gas pipeline will face a number of technical problems on its long route from the Caspian region to Europe.

The project has already been stalled in the absence of guarantees that there will actually be enough gas flowing through the pipeline, Seifi noted.

The official dismissed the idea of substituting Iraq, Turkmenistan or the Republic of Azerbaijan for Iran in this project, saying, "Iraq is currently facing a serious shortage of natural gas in its northern region and it will take many years for the country even to supply enough gas for its domestic consumption."

Transfer of gas from Turkmenistan through the Caspian Sea will be expensive; in addition, Turkmenistan's obligations to export gas to Russia and China do not allow it to export gas to other countries in Europe, said the Iranian official.

### Tokyo MOU Listing

The Tokyo MOU in its 2007 annual report has included Iran in its white list for compliance with international maritime conventions.

More than 175 ships, flying the Iranian flag, have undergone technical and safety inspections within the framework of the Tokyo MOU, Press TV reported.

The Memorandum of Understanding on Port State Control in the Asia-Pacific Region, known as the Tokyo MOU, was concluded in December 1993 at its final preparatory meeting in Tokyo.

The Tokyo MOU deals with monitoring compliance of ship-owners, classification societies and flag state administrations with the requirements of international maritime conventions.

### Sanctions Ineffective

Iran has weathered US sanctions for decades and the country's oil sector remains unharmed by these sanctions, said a deputy oil minister adding that even though US sanctions have imposed some costs on Iran's oil and gas projects, they have failed to bring them to a standstill as Iran keeps producing and exporting oil and gas to international markets.

Akbar Torkan told Fars news agency that it is a fact that US companies sustain the greatest loss from these sanctions. As the world's second largest producer of oil, Iran is ideally positioned to successfully counter all US attempts to isolate it, he noted.

Since early 2007, the US has prohibited American companies and banks from doing business with Iran.

Last week, a high-ranking official in the US State Department claimed that ratcheting up economic pressure on Iran would result in the country's further isolation.

## Setting Priorities

By Gholamreza Mesbahi-Moqadam  
Member of Majlis Economic Commission

It is essential for any political faction that gets into the next parliament to have a comprehensive economic policy and a specific agenda. Lawmakers should also set priorities to deliver on their stated objectives.

In line with this, the Conservative camp has set priorities for its programs in the eighth parliament. Under current economic conditions, the top priority is curbing inflation.

Effective solutions to tackling inflation can be divided into short-term and long-term plans. Under the circumstances, the best option to curb inflation, stabilize employment and remove obstacles to production is long-term plans. To this end, obstacles to production must be removed to increase the supply of goods in the market. This, in turn, will create new job opportunities, particularly in the deprived areas.

There are, however, short-term solutions to curb inflation as well, the most important of which is controlling the growth of liquidity. At the moment, the gross domestic product (GDP) growth stands at about five percent whereas the rise in liquidity has hit the 30 percent mark and above.

## Steel Output To Exceed 32m Tons

Annual steel production will exceed 32 million tons in 2011, said deputy director of Iranian Mining Industries Development and Renovation Organization (IMIDRO), Ali Palizdar.

He told Fars news agency that steel production increased from 9.28 million tons in the year to March 2007 to 10.19 million tons in the year to March 2008, showing a rise of three percent. He added that the output of steel products also rose from 9.71 million tons to 10.22 million tons during the period.

Palizdar stated that copper cathode production went up from 201,000 tons in the year to March 2007 to 202,000 tons in the year to March 2008.

"Aluminum production decreased from 205,000 tons during March 2006-2007 to 204,000 tons in the year to March," he said blaming a technical problem in Almahdi Aluminum Plant as the main reason for the decline.



## IKIA Planning Airport City

Capacity of Tehran's Imam Khomeini International Airport (IKIA) will reach 100 million passengers as stipulated in its comprehensive plan, observed managing director of State Airport Company, Ali Asgar Ketabchi.

He told ISNA that the plan will be implemented in three phases, adding the airport capacity would be increased in each phase to meet flight demand.

He noted that IKIA's passenger handling capacity has been predicted to reach 20 million in the first phase, adding, "We will achieve the target in coming years based on schedule."

Ketabchi referred to the establishment of an airport city in IKIA as another objective of the company, adding private investors can put forward economically viable plans to invest in the project.

The official said that all requirements and problems have been identified so far, hoping the ground would be prepared for further expansion of the airport.

Imam Khomeini International Airport is located about 30 kilometers south of Tehran.

## State Help for Beekeepers

Subsidized drugs worth 20 billion rials have been purchased to help beekeepers overcome the losses as a result of drought, said head of State Veterinary Organization.

On the order of Agricultural Jihad Minister Mohammadreza Eskandari, the drugs will be distributed free of charge among beekeepers in drought-hit areas, added Mojtaba Norouzi, reported ISNA.

A committee comprising representatives of all affiliated organizations and deputies in the Agricultural Jihad Ministry has been set up to identify the drought-hit areas, he explained. Based on the findings of the committee, the required drug would be handed over to the beekeepers, the official pointed out.

Norouzi also disclosed plans to purchase subsidized sugar by the ministry's Livestock Affairs Division.

