

Americans may punish French business, says US envoy

REUTERS, Paris

The US ambassador in Paris said yesterday he did not think Washington would hit France with economic sanctions because of its opposition to war in Iraq, but said the American people could punish French business.

In an interview with La Tribune business daily, ambassador Howard Leach said diplomatic relations between the two countries were in a turbulent period but

other ties between Paris and Washington remained steady.

"I don't think the American government will do anything at all to hurt French economic interests," Leach said.

"That said, American public opinion is disappointed, even angered by the French attitude. Will that have an impact on tourism in France? A little. Will it have an impact in other sectors? Probably."

France, the world's most popular holiday spot with 77 million visitors last year, is a major destination for US French exports, with the lion's share of around 50 per cent going to France's partners in the euro zone.

France angered Washington by threatening to block a US-backed UN Security Council resolution paving the way for the use of force in Iraq, prompting the United States to begin war without the backing of the world body.

"For the short term, we are entering a rather tumultuous period in our diplomatic relations," Leach said.

Police said some 40,000 anti-war protesters marched on the US Embassy in Paris on Thursday to protest the start of the Iraq conflict, and a group of demonstrators smashed the window front of a McDonalds restaurant at the end of the March.

Even short war likely to curb US recovery

AFP, Washington

Even a short Iraqi war may curb a recovery among shaken US consumers and businesses, Federal Reserve policymakers warned in a recent meeting, according to minutes released Thursday.

Uncertainties about war may be resolved soon, Federal Open Market Committee (FOMC) members said in the meeting January 28-29, two months before US-led forces invaded Iraq and bombed Baghdad.

"Even so, the response of the economy was hard to anticipate because of the difficulty of disentangling the effects of current geopolitical tensions from the

underlying momentum of the economy," they said.

"Moreover, even a short and successful military campaign could give rise to a variety of disruptions that might limit at least for a time an improvement in business and consumer confidence."

At the meeting, FOMC policymakers resolved to leave interest rates unchanged at a four-decade low.

In the following meeting, held this week, FOMC members again held the key federal funds rate steady at 1.25 per cent, saying the future was impossible to predict in the fog of uncertainty ahead of war.



Nazir Ahmed, a director of Islami Bank Bangladesh Limited, speaks at the inaugural function of a training course on "Non-performing Investment Management" organised for the bank's officers at Islami Bank Training and Research Academy in Dhaka on Wednesday.

War may dent fragile UK economy

REUTERS, London

Britain's economy, already hit hard by thousands of job cuts in London's once-flourishing financial sector, could be damaged even further by the war against Iraq as tourists and business visitors stay away.

London attracted 30 million visitors last year, making tourism one of the capital's biggest moneyspinners after the huge financial services industry. Tourism accounts for about six per cent of the entire British economy.

The start of battle may have removed some of the uncertainty that had been casting gloom over financial markets, but many businesses are bracing for several months of dismal trade.

"The first three months of this year have been awful, really very dire. The industry is under pressure and the war is going to make it worse," said Miles Quest, spokesman for the British Hospitality Association.

Figures from the British Incoming Tour Operators Association show advance bookings from overseas travellers in January plunged 15 per cent on a year earlier. Travel from North America was particularly depressed.

Things got worse as television viewers across the world saw unsettling images of tanks being brought out to guard Heathrow airport after a security alert.

"It's been slow ever since September 11 but over the last two or three weeks it's taken another step lower," said George Goodhall, 56, a

cab driver in London for 30 years.

"The last week and a half has been very, very slack."

After the Gulf War in 1991, trips by US visitors to Britain dropped by more than 30 per cent on the year. It took a long time before trade returned to normal.

London's Mayor Ken Livingstone said this week a war in Iraq could trim a billion pounds off the capital's economy.

Britain's economy outshone most of its peers in 2002 as low interest rates helped fuel a spending boom that has kept service industries growing relatively robustly even as exporters succumb to the weakness of interna-

tional markets.

But the fear is that a confidence-sapping war would rob even that growth and send manufacturing into another recession. The Bank of England cut interest rates last month to a 48-year low of 3.75 per cent to help prevent that from happening.

Corporate travel has also dropped off, adding to the pressure on hotels and restaurants, particularly at the top end of the market, raising concern that the service sector will no longer be able to compensate for a slump in manufacturing.

"People are just not travelling, that's the bottom line. Apart from

the tourists not coming in we're prey to companies cutting back on expenses," said John Thomas, chairman of the London Taxi Drivers' Association.

Many companies are expected to ban all non-essential travel for their employees during the war if they already haven't done so, much as they did immediately after the September 11 attacks on the United States in 2001.

British Airways has already suspended all flights out of Israel and Kuwait and the company's head earlier forecast that passenger traffic could drop anywhere between 10 per cent and 20 per cent in the event of war.

Iraqi oil exports, ME tourism first casualties of war

AFP, Cairo

Iraq's oil exports and the region's tourism have been the first economic casualties of the start of the US war on Iraq, although stock markets staged a strong showing and world oil prices kept falling.

Iraqi oil exports ground to a halt after the United Nations suspended on Monday its oil-for-food humanitarian program, which allows Iraq to export oil and import humanitarian goods exempt from international sanctions slapped on it after it invaded Kuwait in 1990.

UN Secretary General Kofi Annan asked the Security Council on Thursday to empower him to take over the program and change it to meet the needs of those hit hardest by war.

Iraq produces about 2.8 million barrels per day (bpd) of which about two million bpd were exported under UN-supervision to world markets, with other exports going directly to Jordan by road and to Syria via a pipeline.

US Defense Secretary Donald Rumsfeld said that Iraqi forces may have set three or four oil wells on fire in the massive petroleum fields of southern Iraq.

This had little impact on world oil prices, which fell for a seventh day in a row on Thursday as traders bet on a swift US-led victory over Iraq. London's benchmark Brent North Sea crude oil for May delivery tumbled 1.25 dollars to 25.50 dollars a barrel.

The slide in oil prices is all the more impressive as war risk insurance premiums on tankers heading to the Gulf region were hiked Thursday.

A seven-day coverage for a ship heading to Kuwait jumped to about 0.5 per cent from 0.2 per cent the previous week, oil sources said.

The US navy reported no disruption to shipping lanes in the Gulf, the passageway for nearly one-quarter of the world's oil supply.

Kuwait, which has come under Iraqi bombardment, said Thursday that its oil facilities were safe and that it will continue producing at its maximum 2.4 million bpd capacity.

OPEC's current president, Qatar's Oil Minister Abdullah bin Hamad al-Attiyah, renewed the cartel's pledge to make good on any shortage of oil to the market.



Tofazzal Hossain, chairman of Islami Insurance Bangladesh Limited, inaugurated a conference of branch managers of the company in Dhaka on Thursday. Some members of the Board of Directors were present in the conference, which was presided over by ABM Nurul Haq, managing director of the company.

Weekly Currency Roundup

March 15 - March 20, 2003

Local FX Market

US dollar was downward against Bangladeshi Taka in this week. Lower demand for import and increased flow of remittances weakened the greenback against the Bangladeshi currency. Dollar ended weaker against the BDT by the end of the week.

Money Market:

Bangladesh Bank borrowed BDT 3,535 million by the Treasury bill auction held on Sunday. They accepted bid for only 28-D and 5-Y t-bill this week. Weighted average yield of 28-D bill was up by 1 bps to 7.87 per cent.

The call money rate was high in the beginning of the week and ranged between 11.00-12.00 per cent. But improved liquidity condition reduced the rate and the rate ranged between 6.50-7.25 per cent by the end of the week.

International FX Market

After the opening of the week, US dollar fell almost 1 per cent against both euro and the Swiss franc on Monday on the possibility that a US led attack on Iraq without United Nations looking imminent. The greenback fell to \$1.8044 against the euro, down from three-week highs on the single currency hit last week. Dollar also slid to around 117.73 yen, nearly half-a-per cent down from late Friday. Traders said that the dollar's decline against the yen was limited somewhat by Japan's own economic worries and wariness of yen-selling intervention by Japanese authorities.

The dollar traded in tight range in the middle of the week as the United States and its allies stood on the brink of war with Iraq. The view that a war could prove short pushed the dollar to two-month highs versus the euro and Swiss franc on Tuesday, but the market was reluctant to boost it beyond those levels. Traders, who had shed off dollar for months amid uncertainty over Iraq, have bought the greenback in drove over the past few days after it appeared that the war would likely start soon and end quickly. Still some traders have a long term bearish view about the dollar due to weak economic fundamentals.

At the end of the week trading was thin in the international market as people were sidelined due to war. The dollar fell around one per cent on the euro and the Swiss franc, retreating from earlier two-month highs in nervous trade following news on Thursday that US-led forces had started a war on Iraq. The dollar initially neared the previous session's one-month high on the yen after the news of the military strikes, but turned half a per cent lower on the day. No interest rate cut is expected at this moment in the ECB's meeting in Thursday.

At 1550 hours on Thursday, euro was at 1.0612/14, GBP at 1.5642/48 and yen at 120.04/07 against the dollar. --Standard Chartered Bank

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