

US mulls over market economy in Iraq

AFP, Baghdad

With the war over, the US-led coalition is starting to focus on establishing a market economy in Iraq to replace the central-planning system dominated by the mammoth state sector.

Like the socialist regimes of days gone by, Saddam Hussein's Iraq put the economy largely in the hands of a ministry which drew up fanciful five- and 10-year plans full of unrealistic goals.

"Within the next five to 10 years we can see Iraq turned around," says Simon Elvy, the British career diplomat now serves as the coalition's senior advisor to the planning ministry.

"That, I think, means moving towards a more market-based economy," he says. "It's not going

to be easy."

The economy in the new Iraq faces a host of daunting challenges, from enormous debt at the international level down to a lack of cash in the pockets of Iraqis needed to get daily business fired up.

But one of the biggest is the behemoth of the state sector. State-owned oil and industry accounted for about 75 per cent of the country's 28 billion dollar GDP, according to official estimates.

The state also dominated the bulk of cross-border trade, and the private sector was confined to agriculture, small industrial ventures, internal trade and a nascent banking sector.

The total capitalisation of the Baghdad stock exchange, which included 13 private banks, was only

137 million dollars, and most listed companies were actually state firms that partially opened to private capital.

Benham Eliass Putrus, the Iraqi official appointed by the coalition to run the planning ministry, said Saddam's regime started to privatise in the 1990s to counteract UN sanctions slapped on Baghdad for invading Kuwait.

The sanctions -- which the United States is now trying to have repealed in the UN Security Council -- deprived state-run companies of raw material and spare parts, and kept them running at only 30 per cent of capacity.

"This was why we moved to privatisation," Putrus said.

The state sold off dairy and drinks companies, but kept more

than 50 massive firms that manufacture other foodstuffs, textiles, machinery, pharmaceuticals, construction material, fertilisers and more.

Analyst Fadhel Ali, who edited the now-defunct Al-Iqtisadi business newspaper when Saddam was still in power, said those firms could compete in an open market -- but only if they are modernised quickly.

"Iraq is a big market and it needs everything -- cement, medicine, food, fertilisers," Ali said. "More importantly, they are major job providers."

The cornerstone of Iraq's rebuilding process is its vast holding of oil -- 112 billion barrels of proven reserves, the second-largest in the world after Saudi Arabia.



PHOTO: JANATA BANK

Managing Director of Janata Bank Murshid Kuli Khan distributes loan-sanctioning letter among eleven disabled entrepreneurs at the bank's Satmasjid Road Branch in Dhaka on Saturday.

Asian units strengthen against US dollar

AFP, Hong Kong

Asian currencies strengthened against the US dollar in the past week as fears about the weakness of the US economy weighed on the greenback.

JAPANESE YEN: The yen gained ground against the dollar during the week as the US currency was faced with strong selling pressure following the bleak performance of major economic indicators, dealers said.

AUSTRALIAN DOLLAR: The Australian dollar hit a 40-month high of 64.55 US cents here Friday, finishing the week 1.4 US cents above last week's close and amid speculation it could rise to 70 US cents by the end of the year, analysts say.

NEW ZEALAND DOLLAR: New Zealand's dollar reached five-year highs Friday, closing at 57.59 US cents against 56.39 cent close a week earlier.

SINGAPORE DOLLAR: The US dollar was buying 1.7376 Singapore dollars on Friday, with the Singapore unit strengthening against the greenback from 1.7705 the previous week.

HONG KONG DOLLAR: The US dollar-pegged Hong Kong currency traded at 7.7988-7.7993 on Friday from 7.7987-7.7992 the previous week.

THE INDONESIAN RUPIAH: The Indonesian rupiah closed the week stronger at 8,540-8,550 to the dollar compared with the previous week's 8,660-8,665.

PHILIPPINE PESO: The Philippine peso strengthened to 52.34 pesos to the dollar on Friday from 52.55 to the dollar on April 30.

SOUTH KOREAN WON: The won further strengthened against the sagging greenback, gaining ground to 1,200.40 won per dollar Friday, compared with 1,212.40 won a week earlier.

TAIWAN DOLLAR: The Taiwan dollar was up against the US dollar over the week to close at 34.775 Friday as short-covering in greenbacks offset the effect of a stronger Japanese yen.

THAI BAHT: The baht extended its appreciation against the dollar over the past week, due to the weakness of the greenback on poor US economic data and in line with regional currencies, particularly the yen, dealers said.

Pakistan's new budget to focus on growth

REUTERS, Karachi

Pakistan's civilian government plans to boost investment and growth in the new budget on the back of an improved economy, a finance ministry official said on Saturday.

"This is for the time we are not facing much financial constraint or any balance of payment crisis," Ashfaq Hasan Khan, a senior finance ministry adviser and spokesman, told Reuters in a telephone interview from the capital Islamabad.

"Now the environment is absolutely suitable to go for an investment and growth oriented budget, which would be pro-poor, provides employment and reduces poverty."

Pakistan will announce its budget for fiscal 2003/04 (July-June) next month against the backdrop of a record current account surplus of \$4.37 billion in the first nine months of 2002/03,

and foreign exchange reserves hovering at \$10.5 billion.

The country's currency appreciated by four per cent during the period, while inflation remained pegged at around 3.3 per cent. Also the country's foreign debt repayments have declined, thanks to the rescheduling of its \$12.5 billion foreign loan.

Now the government plans to slash its budget deficit to 4 per cent from this year's estimated 4.6 per cent, government sources say.

Khan said all this provided a firm economic base and would help the government set a 5.2 per cent growth target in fiscal 2003/04 from this year's target of 4.5 per cent.

"To trigger growth and investment, the government plans to provide incentives to the housing and construction sector, boost small and medium industry and invest more on agriculture," Khan said.

CURRENCY

The following is yesterday's forex trading statement by Standard Chartered Bank.

Selling		Currency	Buying		
FF/OD	BC	FF/Glean	OD Sight	Doc	OD Transfer
58.8800	58.9300	USD	57.9500	57.7798	57.7106
68.6364	68.6947	EUR	65.6979	65.5049	65.4265
95.4209	95.5020	GBP	92.1753	91.9045	91.7945
38.8078	38.8408	AUD	36.6881	36.5804	36.5366
0.5067	0.5071	JPY	0.4894	0.4880	0.4874
45.1742	45.2125	CHF	43.7226	43.5942	43.5420
7.4404	7.4468	SEK	7.1778	7.1567	7.1482
42.4360	42.4721	CAD	41.2896	41.1684	41.1191
7.5571	7.5635	HKD	7.4229	7.4011	7.3923
34.0052	34.0341	SGD	33.1997	33.1021	33.0625
16.1629	16.1767	AED	15.6516	15.6056	15.5869
15.8267	15.8401	SAR	15.3311	15.2861	15.2678

Local Interbank FX Trading:

The local interbank foreign exchange market was subdued Sunday as the international market was closed. US dollar remained steady and ended almost unchanged against the Bangladeshi taka.

Local Money Market:

Demand for call money remained moderate yesterday. Call money rates remained almost unchanged. At the end call money rates ranged between 10.00-13.00 per cent compared with 11.00-13.00 per cent previously.

International Market:

International market was closed on Sunday. Euro extended a four-year high against the dollar on Friday, supported by the yield advantage European assets hold over US assets. Without a cut of rates or intervention there is nothing to turn the tide in favour of the dollar. Meanwhile, suspected yen-selling by Japan helped support the dollar against the yen. French Prime Minister said it would be worrying if the euro reaches a level that hurts exports.

At the closing of New York on Friday, euro was at 1.1487/93, GBP at 1.6046/52 and yen at 117.20/26 against the dollar.

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PHOTO: DUTCH-BANGLA BANK

Md Yeasin Ali, managing director of Dutch-Bangla Bank Limited, speaks at a workshop on Artha Rin Adalat-2003 organised for the branch managers and legal advisers of the bank on Wednesday in Dhaka. Kazi Habibul Awal, additional secretary of Ministry of Law, Justice and Parliamentary Affairs, and Ikhted Ahmed, secretary, Law Commission, were also present.

Qantas Asian expansion on despite SARS

AFP, Sydney

Qantas said Sunday its budget offshoot Australian Airlines would continue to expand its range of Asian destinations over the next six months despite the SARS-induced crisis hitting the aviation industry.

But Qantas chief executive Geoff Dixon said plans to expand the fledgling airline's fleet would be delayed as its parent deferred about a billion dollars' (640 million US) worth of capital expenditure.

"We're going to expand parts of Australian into Bali and into other parts of Malaysia in the next six months but we have decided not to take a fifth aircraft Australian until later in the year," Dixon told Channel Nine.

Australian Airlines was launched last October as the discount arm of national flag carrier Qantas Airways Ltd.

STOCK