

Dollar ends lower in NY

NEW YORK, Nov 20: The Dollar closed lower against European currencies in brisk trading as the Dow Jones industrial stock average fell over 78 points before cutting its losses late in the afternoon, reports Reuter.

"The interesting issue is that stock are off, bonds are off and the Dollar is off. We're really seeing a vote of no confidence in the US economy and the Dollar at the moment," said James Borden, Senior Vice President at Chase Manhattan.

The Dollar closed at 1.5080/90 marks, down from the opening of 1.6065/75 marks and Monday's finish of 1.6105/15.

However, the Dollar ended at 129.78/88 Yen, up from the opening of 129.40/47 and Monday's close of 129.60/67 Yen.

The Dow closed down about 41 points at 2932. It fell 120 points Friday but ended nearly 30 points higher Monday.

The US unit hit a low of 1.5900 marks early in the New York afternoon, as stocks suffered their heaviest sell off of the day.

But late bargain-hunting and technical buying helped revive the battered Dow. The mild comeback prompted some covering short-covering of Dollars and fresh buying of the currency, traders said.

"The (foreign exchange) market has just been tracking the stock market all day," said David Jacobs, Vice President at Barclays in New York.

The market reacted little to US September trade data released at the opening. The trade deficit widened to 6.8 billion Dollars in September from a revised 6.5 billion dollars in August. Economists on average had forecast a 6.1 billion Dollar gap.

Traders expect little response to Wednesday's release of US October housing starts.

Kuwait's oil export rises

KUWAIT CITY, Nov 20: Kuwait's oil exports have risen to 355,000 barrels of oil a day, Oil Minister Hammoud Abdallah Al-Raqba said Tuesday, reports AFP.

Oil production, progressively restored since the emirate was liberated from Iraqi occupation on February 28, has reached 500,000 barrels a day, including 140,000 barrels from a neutral zone shared with Saudi Arabia, Al-Raqba said.

"355,000 barrels a day are exported to the international market, while 145,000 barrels a day are used locally," the minister said, according to the Kuwait News Agency KUNA.

A week ago, Al-Raqba said in London that Kuwait's oil production stood at 470,000 barrels a day, including 140,000 from the neutral zone.

Kuwait hopes that by the end of next year it will meet the quota OPEC set before Iraq's invasion of Kuwait, or 1.5 million barrels per day.

"During fiscal year 1991-92, the state's oil receipts will reach more than two billion Dollars," the minister predicted.

Iraqi forces fleeing Kuwait in the face of operation by a Western-led military coalition set fire to Kuwait's oil wells. The last of the fires was extinguished earlier this month.

US aid to Soviets may exceed \$ 1.5b

WASHINGTON, Nov 20: US Agriculture Secretary Edward Madigan said on Tuesday the total aid package to the Soviet Union, including technical help to improve their food system, would exceed 1.5 billion Dollars, reports Reuter.

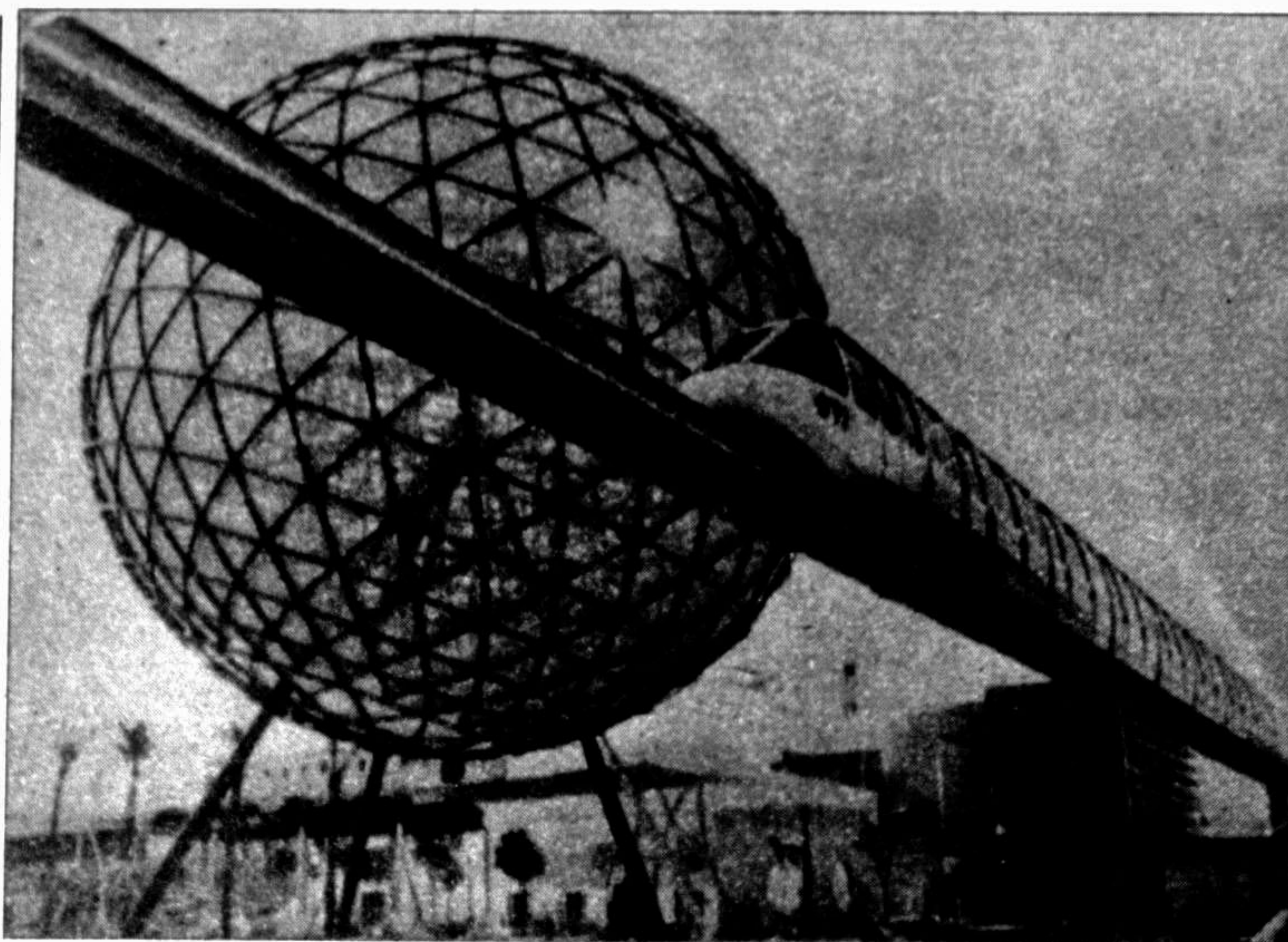
Madigan said the package would top 1.5 billion Dollars "when you add up the totality of everything that we're doing, and some things that we're doing have not been mentioned publicly."

The United States since December has offered 2.5 billion Dollars in loan guarantees to Moscow, which has kept current on its payments despite concerns about its foreign currency reserves.

Increased exports made possible by those credits have helped push up grain prices since last winter, and US farmers have counted on the extension of substantially more loans.

"Obviously it's not all that some people wanted, but it's all the administration thought it could offer at this time given the uncertainty over (the Soviet) economic situation," said Don Lipton, of the American Farm Bureau Federation.

Lipton said he hoped the expected 1.25 billion Dollars in credits would be a first instalment on the total 2.5 billion Dollars the Soviets sought and that more would be offered later.



SEVILLE (Spain), Nov 20: The monorail passes the bioclimatic sphere on the Expo '92 site. It was announced yesterday that the free entry to the fair grounds will cease December 8 as more of the pavilions are completed for the Expo next year. — AFP/UNB photo

'India opens opportunity for Pakistan to cut military bill'

ISLAMABAD, Nov 20: India's defence cuts this year have opened an opportunity for Pakistan to chop its own military spending and free funds for desperately needed development projects, a senior World Bank official said, reports Reuter.

"India is facing very serious resource constraints this year and I think the time has never been more ripe for discussions between the two neighbours on reallocating their resources," Bank Director Michael Wichon said in an interview.

"I am urging the government to review and if at all possible reduce their spending on defence because they have such pressing need for resources elsewhere."

Pakistan's social indicators for poverty, healthcare and education are among the worst in the world and compounded by one of the fastest growing populations.

Wichon, the bank's Director for the region, said he was en-

couraged by Pakistan's growing acceptance that it had to deal with its social problems if it was to exploit gains made from sweeping economic reforms.

IMF Managing Director Michel Caendessus also urged India and Pakistan to cut back on their arms spending during

visits to the two countries last month.

The government argues that while it would like to cut defence spending, which swallows up more than 40 per cent of the budget, it cannot while its long-term for India continues to build up its military forces.

Wichon, in Islamabad for Pakistan's first major investment conference, said the country had made good economic progress but still had more to do to improve the trade regime that remains biased in favour of import substitution.

There is a set of tariffs that have to be brought down and may be some tariffs that have to be introduced at the bottom. On the trade area there is still a lot to be done."

But he said the bank was impressed by the government's efforts to bring the 4.8 per cent of GDP target set by the IMF for continued assistance.

India to make Rupee freely convertible

NEW DELHI, Nov 20: Finance Minister Manmohan Singh said today India will move towards a freely convertible Rupee and further liberalise its economy to emerge as a competitive trade partner in the international market, reports AFP.

"We propose to dismantle all discretionary measures regulating the economy over a period of four to five years and remove foreign exchange regulations to make the (Indian) Rupee freely convertible," he said here.

to achieve the best possible deal, and Britain was worried the EC might be cornered into allowing the US to make fewer concessions than it should.

The formal EC offer is a overall reduction in export subsidies, internal support and barriers to market access over a decade starting in 1986.

All offers to the General Agreement on Tariffs and Trade (GATT) negotiations have to be classed according to how much they distort trade. Non trade-distorting plans would be put in a "Green box," while those deemed distorting would be put in a "Yellow box" and subject to progressive reductions.

Britain said it was very worried that Maesharry wanted compensation payments that would result from internal EC reforms to be classed as pure "Green box" measures.

If that happened, the EC would have no alternative but to accept US deficiency payments, currently the main method of farm support in the US, as eligible for the "Green box" too.

The commission has taken the line that all compensation must be placed in the so-called "Green box" not subject to reductions. As is evident, the US

would only accept that if their own deficiency payments were also placed in the "Green box," one official explained.

The US has consistently said it is willing to negotiate ways of trimming its deficiency payments as "Yellow box" measures.

Britain's worry is that if compensation payments on both sides of the Atlantic become exempt from progressive cuts, the US would not be required to make any worthwhile changes to reduce support.

It argues that the EC, on the other hand, would be committed to introducing a new system which would defeat the object of GATT negotiations overall, namely winding down trade-distorting farm subsidies over time.

A British official claimed support from Denmark and the Netherlands on this issue. But the majority of ministers still favour permanent compensation under farm reforms.

France said all sides should make concessions, not just the EC. Several ministers, including the French, Italian and Irish, insisted on keeping the EC demand for so-called rebalancing of support.

wards right direction in the context of a competitive economy. But the flexible interest rate can not work or perform its job in isolation. The presence of a competitive bill market is a necessary condition for working of a flexible interest rate policy. Bills are the promise to pay instruments which bear various interest rates depending on who issues them and for what period.

Various commercial papers, certificate of deposits, payment orders issued by the importers abroad fall with in this category. These bills normally are expected to be discounted in the secondary markets. Bank interest rate in conjunction with these money market instruments which commonly known as bills perform the lending and deposit functions in a macro framework.

Unfortunately in Bangladesh when we took step to introduce the flexible interest rate policy we did not take any step to develop the bill market, and the result is that the flexible interest rate remained flexible only in paper, the commercial banks together kept it 'fixed'. The discount rate is only one of the instruments of money supply change and works better when there is a genuine need for increased money in the economy and when interest rate is sensitive to demand for and supply of money.

Bangladesh economy is now passing through a depressionary period marked by low investment, low buy and even low price. To cure the economy from the present depressed position is not to cut discount rate alone, or to lower the lending rates but

Israel's 10 pc workforce unemployed

JERUSALEM, Nov 20: Ten per cent of the Israeli workforce is unemployed, a figure that could double next year and affect 300,000 people, spelling "catastrophe" for the national economy, Deputy Labour Minister Menachem Porush has warned here, reports AFP.

"If we don't act quickly we'll face a catastrophe," he said in a statement that also proposed the immediate creation of an inter-ministerial committee on unemployment.

Orah Namir, head of the opposition Labour Party's parliamentary committee on social welfare, stressed that joblessness could become an explosive issue by the beginning of next year despite a growth rate of seven per cent.

She said the phenomenon could be attributed to the arrival of some 100,000 new immigrants notably from the Soviet Union who will join the 380,000 who have settled here since the end of 1989.

During their first year in Israel, new arrivals are helped financially by the semi-governmental Jewish agency, charged with immigrant affairs, to settle in and learn Hebrew.

Canada suffers trade deficit

OTTAWA, Nov 20: Canada suffered its first monthly trade deficit in more than 15 years in September, it was revealed Tuesday, and the government found itself under attack from bankers and welfare workers for its economic policies, reports AFP.

With imports increasing by 524 million Dollars (461.12 million US Dollars) to a record high 11.9 billion Dollars (10.47 billion US Dollars), September imports slumped by 852 million Dollars (749.76 million US Dollars) to 11.6 billion Dollars (10.21 billion US Dollars), the government agency Statistics Canada said.

This left the country with a 1.4 billion Dollars (1.23 billion US Dollars), deterioration in its trade balance, and a deficit of 311 million Dollars (273.68 million US Dollars), it added.

If this were not bad enough, a government-appointed independent advisory board said Tuesday that Canada, often cited as a model welfare state, was failing to provide adequate welfare assistance to its poor in most of the country.

participants, officials said. The government is selling off some 100 state-owned units and privatising the banking sector. It has effected a series of liberalisation measures such as lifting foreign exchange controls and minimising bureaucracy.

Aziz said the privatisation process would simplify channels for local partners requiring loans for foreign investors through development finance institutions.

Foreign firms could meet demand from the central Asian republics by setting up industries in Pakistan, which is also a member of the seven-nation South Asian Association for Regional Cooperation (SAARC), he said.

The republics have sought membership of the Economic Cooperation Organization (ECO) grouping Pakistan, Iran and Turkey, Aziz said.

A top Finance Ministry official, Qazi Altmullah, told the conference Pakistan's gross domestic product grew by 5.6 per cent in 1990-91 despite the Gulf War, compared with 4.6 per cent the previous year.

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will pull out the economy from the present position is not understandable. If it helps at all, it will be only peripheral. The present policy of cutting the discount rate and other lending rates in the absence of true demand in the economy for fund may turn would be loaned out money into bad loan.

Besides, we find it hard to understand why government have gone to dictate the lending rates or general commercial activities when the commercial banks can themselves follow a flexible lending rate policy, and when the discount rate cut should automatically encourage the banks to lower the lending rates.

Most important matter to be pondered over to day is not the cutting of discount rate for economic recovery but to strike at the center of the

problem — in the investment field. Our investors big or small are now exercising a hands off policy and even if they come forward to purchase and sell more by having cheap money that will not cure our problem. Buying and selling more by cheap money does not lead necessarily to real capital formation which only can happen through funding the equity capital. Cheap money from banks does not fund equity capital, it only fund the turnover of the rolling out commodities. To help move the economy forward there is no alternative but to develop our capital market.

(The writer is an Associate Professor in Economics, Dhaka University. The views expressed are the contributor's own.)

Task forces report publication ceremony

Perspective plan to generate vision for development underway

Star Economic Report

Planning Minister A M Zahiruddin Khan on Wednesday said the Planning Commission is currently engaged in preparing a perspective plan which will generate a vision for the future course of national development.

Speaking at the publication ceremony of the report of the task forces on Bangladesh development strategies for the 1990s at Jatiya Press Club, he added that the plan will have implications for long-term strategies and policies.

The Minister assured that the task force report will receive deserved attention for improving the performance of the economy.

Prof Rehman Sobhan speaking on the report said the professional community delivered their voluntary labour for the report to tackle the development programme and rectify degeneration to give direction to the economy.

He said the report addressed the issues of immediate concern like problems in mobilisation of resources. He said the key issues of the report were alleviation of

poverty, greater self-reliance in the development process and ensuring a process of sustained growth for the economy.

Prof Sobhan hoped that the

UK GDP rises in third quarter

LONDON, Nov 20: A 0.3 per cent rise in output-based Gross Domestic Product (GDP) in the third quarter, announced by the government on Tuesday, brought a technical end to Britain's recession after four consecutive quarters of negative growth, reports BSS.

The rise, which followed a 0.6 per cent fall in the second quarter from the first three months of the year, was smaller than analysts' expectations and primarily reflected a four per cent increase in output from the energy sector because of an upturn in north sea oil production after summer maintenance work.

Non-energy output fell 0.3 per cent from the second quarter.

report would create media exposure, seminar and debates which will create new ideas.

Abdus Samad Azad, a central leader of Awami League and Deputy Leader of the Opposition in the Parliament said dialogue between the government and the opposition should be held to decide national issues. He said the government and the opposition should come to a conclusion about the conditions of aid determined by the foreign donors. He observed that advice of the task force could be also taken in major issues.

Prof M N Huda, Former Vice-President of Bangladesh speaking as the chief guest said the responsibility for planning should be for both the ruling and the opposition parties. He said there should be accountability in the administrative activities.

M Syeduzzaman, former Finance Minister also addressing the function said the task force report serves the function of indigenous solution to the economic problems of our country.

The future is now looking quite bright," he told Reuters in an interview. "We are heading in the right direction."

Mustapha, in Rome for an Arab banking conference, said he expected economic output to rise by some four per cent next year after an estimated 3.5 per cent increase in 1991.

He also denied the government was dragging its feet over reform of Egypt's huge and inefficient public sector.

Egyptian economy on right track, claims minister

ROME, Nov 20: The end of the Gulf war and a host of often painful reforms should begin to reap dividends for Egypt in 1992, Egyptian Economy Minister Youssari Mustapha said, reports Reuter.

An IMF team is now in Cairo monitoring progress on a 372 million Dollars IMF standby agreement in May which called for Austerity measures designed to bring the budget deficit down to 10.3 per cent of GDP this year from over 20 per cent last year.

France keen to invest in Chittagong EPZ

From Our Correspondent

CHITTAGONG, Nov 20: France is keen to make investment in Chittagong Export Processing Zone (EPZ). This was disclosed by the French Ambassador in Bangladesh Serge Degallatx while talking to the journalists here last night at Alliance Francaise.

The Ambassador said we are trying to attract the French businessmen to make their investment in the Export Processing Zone of Chittagong as France is the second largest buyer of ready made garments from Bangladesh. He informed that a business workshop under the initiative of France government with the cooperation of local business community would be organised in Chittagong on February 1992.

The workshop will be organised in a bid to develop rapport in the field of trade and commerce between both the countries. Expressing satisfaction the Ambassador activities in Chittagong EPZ is a positive point for drawing foreign

investment here. Moreover profit making through availability of cheap labour plays as an incentive for the foreign investor, the Ambassador said.

He also informed that an agreement would be signed soon between France and Bangladesh in order to install a telecommunication system in Chittagong port city. Referring to his country's contribution for the cyclone rehabilitation programmes of Bangladesh the Ambassador said his government is committed to provide 15 million US Dollar for the purpose.

To repair the damages of coastal embankment his government had already provided 20,000 metric tons of wheat under food for work programme, he added. He said, France governments aid for cyclone rehabilitation programmes would be channelled and distributed through local NGOs.

Pakistan to set up a dozen export processing zones

ISLAMABAD, Nov 20: Pakistan is to set up a dozen export-processing zones to attract foreign investment for export-oriented industrial units, officials told an international business conference here Tuesday, reports AFP.

The southern port city of Karachi already has such a zone where duty-free import and export of goods and tax exemptions are available to units set up by domestic and foreign entrepreneurs, officials said.

Finance Minister Sartaj Aziz told the conference the zones would be of "immense" use to foreign investors in setting up industries.

Prime Minister Nawaz Sharif opposed the conference here Monday with a call to foreign enterprises to take the opportunities opened up by his policy of privatising and deregulating Pakistan's economy.

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participants, officials said. The government is selling off some 100 state-owned units and privatising the banking sector. It has effected a series of liberalisation measures such as lifting foreign exchange controls and minimising bureaucracy.

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EC ministers split over GATT

BRUSSELS, Nov 20: European Community Farm Ministers are split over the tactics the European Commission should adopt in world trade negotiations, EC officials and diplomats said, reports Reuter.

After hearing European Farm Commissioner Ray Macsharry's report on GATT over dinner on Monday, they interrupted negotiations on cereals reforms to voice their worries.

"This is the most important thing we're talking about here today," one diplomat said.

Last night at dinner times apparently went quite smoothly. This morning was a different matter," an official added.

Since the Farm Ministers' last meeting in October, the EC and the United States have made progress on closing the gap between their GATT positions.

Several delegations, among them France, Italy and Ireland, said they were worried the commission was straying from the agreed EC position on winding down trade-distorting farm subsidies by being too generous.

But Germany said the commission should be trusted

to do something really meaningful to boost the investment. Cutting the discount rate may help a move in the money sector, but in no way will guarantee a movement in the real sector. If these two sectors do not move simultaneously we will be simply ended up with a price rise due to discount rate and lending rates cut. Apart from this, discount rate cut will be helpful to increase the money supply when there is dearth for fund in the market. This can be seen by observing the interbank lending rate movements. This rate is now prevailing at a very low rate which again, symbolising a symptom of depression in our economy. If idle money abounds around, and if economy does not move towards investing the available surplus, cutting the discount rate how

problem — in the investment field. Our investors big or small are now exercising a hands off policy and even if they come forward to purchase and sell more by having cheap money that will not cure our problem. Buying and selling more by cheap money does not lead necessarily to real capital formation which only can happen through funding the equity capital. Cheap money from banks does not fund equity capital, it only fund the turnover of the rolling out commodities. To help move the economy forward there is no alternative but to develop our capital market.

(The writer is an Associate Professor in Economics, Dhaka University. The views expressed are the contributor's own.)

Imports/arrivals of Kutcha bales at Narayanganj were ten to twelve thousand mounds while at Daulatpur at fifteen to twenty thousands mounds. (One mound is equal to 37.32417 KGs.) Source: Bangladesh Jute Association

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Raw Jute

November-20

Kutcha bales
FOB * Narayanganj/Daulatpur
Varieties (Tk. per 100 Kg)

	White	Tossa	Meshta
Medium	1098	1072	871
Bot. (B)	965	1005	804
Bot. (C)	884	938	737
Bot. (X)	804	871	670

* FOB = Freight on board
* Bot. = Bottom
* Tossa bales

Varieties	FOB (Ready)	FOB (Sight)**
Bangla	Tk. per bale*	\$ per MT*
White		
BW SPL.	2900	555
BWA	2700	530
BWB	2500	425
BWC	2300	395
BWD	2100	365
BWE	1900	335

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