

Germany assures Bangladesh of continued aid

Germany has assured Bangladesh that the level of development assistance will continue despite budgetary constraints, reports UNB.

The assistance will continue as Germany considers Bangladesh to be an important development partner, said Bernhard Schweiger, DG of German Ministry for Economic Cooperation and Development on Thursday.

At a meeting with Bangladesh Foreign Secretary Mustafizur Rahman in Bonn, Bernhard also praised the successful implementation of health and family planning programmes in Bangladesh.

He expressed his deep appreciation for the development efforts made by Bangladesh in the social sectors, said a fax message received here Thursday night.

Appreciating measures undertaken by Bangladesh for reforms at macro level, Bernhard emphasised the need for further reforms in energy, railway and banking sectors.

He showed the German government's interest in extending cooperation in further economic reform processes which are required to be undertaken by the Bangladesh government.

Earlier, Mustafizur Rahman briefed about different development programmes of the government particularly poverty alleviation and empowerment of women.

Appreciating German financial assistance in improving the quality of life of people, Mustafizur urged the German government to continue its cooperation till the country reaches the take-off stage of development.

Kazi Anwarul Masud, Bangladesh Ambassador to Germany, was present at the meeting.

Drug traders post agents at RMCH for business

RAJSHAHI, Jun 5: Rajshahi Medical College Hospital (RMCH) has become a safe hub of middlemen of different medicine shops, who have been cheating the innocent people by forcing them to buy medicine from particular shops, reports UNB.

Over one hundred medicine shops around the RMCH, the biggest treatment centre in the northern region, have recruited several hundred middlemen to catch the patients or their guardians with prescriptions to purchase medicine from their respective shops.

As the doctors or nurses hand over the prescription to a guardian to buy medicine from outside, the middleman, who has been following them from

earlier, tried to entice them to purchase the medicine from particular shops.

And once he managed to bring the customer to the shop, the salesman performs the rest of the job.

Showing unprecedented modesty and having intimate chats, the salesman soon wins the mind of the customer. He then charges the cost of the medicine several times higher than that of the fair price.

It was alleged that, the traders sometimes also cheat the illiterate customers giving false summation on the calculator of the cost of the medicines.

Many poor patients, come from far flung areas of northern districts, being cheated by the traders, returned homes

without getting treatment.

A section of doctors, nurses and ward boys are also involved with this clique for getting commission from the medicine shops, it was known.

Patients alleged that the doctors or attending nurses also sometimes ask them to buy medicine from a particular shop.

The RMC authorities and local Rajpara police station have been notified the fact and said the medicine shops and absence of enforcement of law are helping continuing the illegal business.

When contacted an official of Chemist and Drugist Association admitted the fact and said the medicine shops and absence of enforcement of law are helping continuing the illegal business.



Imamuddin Ahmed Chaudhury, Chairman of Janata Bank, signing the balance sheet of the bank for the year 1996 at 573rd meeting of the Board of Directors on Wednesday at the bank's head office in the city. M A Hashem, Managing Director, is also seen.

Pak stocks dip after a 3-day surge

KARACHI, Jun 5: Pakistan stocks dipped 2.89 points breaking a three-day surge that had appeared to signal end of jitters over the country's nuclear tests, dealers said, reports AFP.

The prices of shares at the Karachi Stock Exchange (KSE) were down by 0.3 per cent, the KSE 100-index fell by 2.89 points to close at 1056.50.

The stock market had started to bounce back Tuesday after a plunge following Pakistani nuclear tests last week in response to Indian detonations in mid-May. The index surged a record 127 points to close at 1,059.39 on Wednesday.

Dealers said reports of progress in talks on electricity tariffs between the government and sponsors of independent power projects buoyed the market gave a boost early Thursday, but selling pressure toward the close caused a slump.

Dealer Ambareen Shaikat said hectic buying by both local and foreign investors was witnessed in the morning.

Analyst Ahsan Reza termed the fluctuation a technical correction as the KSE 100-index had already surged by more than 250 points in three days.

He said the KSE 100-index was likely to maintain a level of 1,020.

The British Lever Brothers lost 90 rupees (two dollars), British Chemical Company ICI (Pakistan) one rupee and UK-based power company Hubco shed two rupees.

India's bank ratings may be cut

TOKYO, Jun 5: US ratings agency Moody's Investors Service warned today India's key currency and bank ratings may be cut after its nuclear tests, reports AFP.

Downward pressures on the ratings have intensified in recent weeks due to the international sanctions imposed following India's underground nuclear tests last month, the New York based agency said in a statement.

Moody's also attributed the move to "the lack of substantive measures likely to stimulate private investment contained in the recent union budget".

The review will be concluded within the next several weeks. "The international furor caused by India's tests has led to various trade and financial sanctions against the government. Multilateral assistance is being postponed at the urging of the United States and Japan."

"Now that India's arch-rival Pakistan has retaliated with its own nuclear tests and has been sanctioned as well... add opinion appears to be turning even more negative towards the region."

"Additional financial and political repercussions for the two countries are being debated in various international organizations," it said.

Moody's said it had been assessing foreign and economic policies of India's new coalition government formed in March, adding its position on such critical issues as trade and investment liberalisation were "often contradictory".

First private telephone network unveiled in India

INDORE, India, Jun 5: India's first private telephone network was unveiled here yesterday to end the state monopoly with the company vowing to provide new lines to customers within days rather than months, reports AFP.

The service was unveiled in the commercial capital of central Madhya Pradesh state by Bharti Telenet, a joint venture between Telecom Italia and local telecommunications firm Bharti Enterprises.

Sunil Mittal, Chief of the Bharti Group which has a 70 per cent stake in the venture, said, "It is the turning point in the history of Indian telecommunications."

The company was granted the licence last year for Madhya Pradesh. It plans to complete the project by March next year. It has targeted 26,000 customers within the first year and around two million within three years.

Mittal said the bureaucratic hurdles had been "enormous", adding, "We had to get more than 50 governmental clearances."

"To lay a cable, there are at least five to ten departments involved."

Bhagwan Khurana, Bharti Telenet's Executive Director, said "the company is in a position to give a new telephone connection within 72 hours."

The state-owned Department of Telecommunications (DOT) often takes several months to connect a subscriber to its network.

Khurana said, "This service is unlike the government as we have optical fibres in our network and not cables. It can provide high speed quality transmission of both data and voice."

India began opening its telecommunications sector in 1994 and companies such Motorola, Nynex Corp. of the United States, Bell Canada and Alcatel of France have set up base in the country.

Private firms have already been allowed into the mobile telephone sector.

The government said that

India's telephone network, comprising 17.7 million lines and 14.5 million telephones for a population of 960 million, grew by 16.5 per cent for the five years to 1997.

India has the lowest telephone density in Asia. A demand for around 80 million telephones is expected during the next decade.

Saudi stocks close slightly up

RIYADH, Jun 5: Saudi stocks closed yesterday slightly up on the week, during which the government announced it would pay arrears to contractors. Bankheft Financial Advisors (BFA) said, reports AFP.

It said the market reacted favourably to the announcement that the government would issue some six billion riyals (1.6 billion dollars) in special bonds to cover debts to contractors.

The NCFEI all-share index closed at 181.31 points, 1.7 per cent up from 178.33 points the week before. The index is now 7.4 per cent lower than the start of the year, following a 28 per cent surge in Saudi stocks in 1997.

All blue chip shares went up except Saudi American Bank, the electricity company Secco, Central and United Saudi Bank, down 1.0, 0.9 and 0.6 per cent respectively.

BFA warned, however, that many blue chips have reached record highs. "Prevailing price-earnings ratios do not support current prices unless companies' earnings, especially banks, increase in the second quarter of 1998," said BFA.

BFA said that a total of 6.957 million share worth 1.187 million (317 million dollars) changed hands in 9,025 contracts during the trading week.

Shares in 57 companies listed were traded, 24 going up, 15 falling and 18 remaining unchanged. The shares of 14 companies were not traded.

Indonesia details privatisation plan

JAKARTA, Jun 5: Battling to overcome massive financial problems, the Indonesian government Friday named US investment banks Goldman Sachs and Co and Lehman Brothers Holdings Inc as overall advisers on the partial privatisation of 12 state-owned companies, reports AP.

State-owned Companies Minister Tanri Abeng also named a list of investment banks to assist in the sale of the 12 companies individually.

The minister said 22 international institutions and 17 domestic securities firms had submitted proposals for the sales.

The sell-off is in line with the terms of a 43 billion dollars economic bailout deal with the International Monetary Fund.

An IMF team is scheduled to arrive in Jakarta next week with a view to restarting the bailout in the wake of political turmoil and riots that climaxed last month with the resignation of ex-President Suharto.

Under the IMF deal, Indonesia agreed to divest its holdings in 12 state companies to a minimum of 51 per cent. Five of the companies, PT Telekomunikasi Indonesia, PT Indosat, PT Tambang Timah, PT Aneka Tambang and PT Semen Gresik are listed on the Jakarta Stock Exchange.

Merrill Lynch and Co and Lehman Brothers were appointed as advisers on the Telkom sale, while Goldman Sachs will advise on the sale of Indosat.

Lehman Brothers was also appointed as adviser for toll road operator PT Jasa Marga, and Goldman Sachs for port operator PT Pelabuhan Indonesia II.

Credit Suisse First Boston was named as adviser to port operator PT Pelabuhan Indonesia III.

Jardine Fleming will advise on listed cement producer PT Semen Gresik and plantation company PT Perkebunan Nusantara IV.

Morgan Stanley Dean Witter and Co and Paribas will jointly advise on the partial privatisation on all the state mining companies: coal company PT Tambang Batubara Bukit Asam, gold company PT Aneka Tambang and tin miner PT Tambang Timah.

Pre-budget talk 'Make the tax laws painless and get more money'

Star Business Report

While revenue collection loopholes pose a major problem for the policy planners, a former finance secretary says the income tax law needs complete overhauling to make it more payer-friendly.

M Matul Islam refers to a recent pre-budget seminar organised by The Daily Star when a participant commented that millions were willing to pay taxes, but fear of harassment prevented them from doing so and that they preferred to remain outside the tax net. The former civil servant does not fully agree with the statement.

"That millions are outside the income tax net is possibly an exaggeration, but the speaker (at Star seminar) is right that fear of persecution deters many a potential taxpayer to come out in the open."

"The tax law, as it stands today, presumes a Deputy Commissioner of Taxes honest until proven otherwise, a taxpayer dishonest until the DCT decides otherwise but a suspect throughout his life."

There lies the problem, according to says the first finance secretary to the government of Bangladesh.

Of the 651,000 assesses on the tax roll, he points out, around 600,000 come under the slab system of tax rates which in 1996-97 budget were set at minimum 15 per cent and 25 per cent maximum. In the 1997-98 budget, the minimum was reduced to 10 per cent to encourage voluntary disclosure of income and submission of tax returns which was made compulsory for car owners and owners of buildings above a prescribed plinth area.

"The government was fairly optimistic that these measures should have a favourable impact on the receipts from income taxes estimated at Tk 2,100.00 cr for 1997-98 as against actual collection of Tk 1,665.00 cr in 1996-97. The reported shortfall in collection is an indication that the optimism was misplaced, he contends.

"Bringing down the minimum to 10 per cent and other adjustments of income-brackets for application of 20 per cent and 25 per cent tax rates in the 1997-98 budget have resulted in a substantial loss of revenue which may be more than Tk 100 cr whereas the benefit of reduction accrued to the individual taxpayer is insignificant." For those in the income bracket of Tk 100,000, says Islam, the 15 per cent rate would result in an additional tax payment of only Tk 160 per month. So, he argues, the reinstatement of the 1996-97 rate should receive serious consideration.

"Deduction at source coupled with an effective system of tax refund should clearly be the preferred tax collection system of which the most important is withholding tax on interest payments on bank deposits now collected at the rate of 10 per cent. In 1996-97, the reported collection of taxes through banks were Tk 157.18 cr. Total deposits excluding demand deposits of all banks which stood at Tk 35,000 cr in July 1997

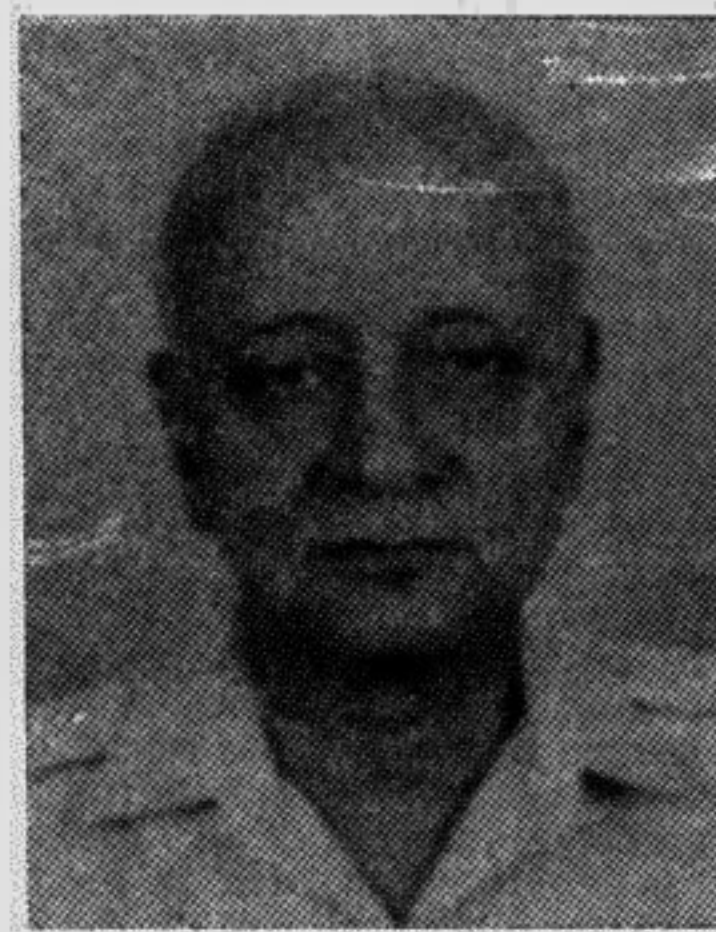
rose to Tk 38,000 cr in December 1997.

"It is suggested that deduction at source for bank interest be raised from 10 per cent to 15 per cent with an efficient and effective system of tax refund in place. With higher average interest rate prevailing now, collection of taxes from banks could easily cross Tk 300.00 cr. Taxes withheld at higher rates would encourage applications for refund and with 20 million depositors' accounts in the private sector. This would be a good source of identifying potential candidates for the tax roll.

"Annual remittances for travels abroad and children's education now exceeds Tk 150 cr. Only persons of means and wealthy parents can frequently travel abroad and send their children for higher education in foreign countries. This category of people, if outside the tax net, should be gradually brought into it by tightening up travel regulations or remittance facilities for them.

"It is suggested that the government should introduce the system of issuing TIN cards which will entitle the holders, their spouses and dependent children special privileges like issue and renewal of passports at special counters, increased travel quota with corresponding reduction of travel quota for non-card holders, priority of getting telephone connection, higher education quota etc.

"Once the tax identification card system has been successfully tested, government may impose on non-card holders 'presumptive tax' on foreign travel tickets, purchase of travel quota, remittances for education abroad with suitable exemptions for wage earners, non-residents etc. The expendi-



Matul Islam

ture on these accounts by non-card holders should be presumed to represent un-taxed income. To avoid 'presumptive tax', the demand for obtaining tax identification numbers is expected to jump.

"There are many other areas where judicious application of withholding tax system should increase tax collection manifold. The crux of the problem, however, is that the tax code is now heavily biased against the taxpayer with no accountability for the tax authorities in place.

"The present taxation system repulses the payer and there is tremendous public dissatisfaction with the quality of law and fiscal discrimination. It is sheer desperation that drives people to seek court protection when they fail to get justice from the tax authorities. We sincerely hope that this government can create a tax realisation system where the taxpayer would feel comfortable in paying taxes.

Clinton urges Congress to renew China's MFN status

WASHINGTON, June 5: President Bill Clinton urged Congress to renew normal trade benefits for China, saying good relations with Beijing are crucial amid fears of a nuclear arms race in South Asia, reports AP.

Failure to renew trade privileges would "sever our economic and, to a large measure, our strategic relationship with China," Clinton warned.

Always a contentious issue, the China debate promises to be even hotter this year because of controversies about exports of American satellite technology to Beijing and allegations of illegal campaign contributions.

"I think the current circumstances make it a very difficult vote," said House Majority Leader Dick Armey.

Nevertheless, three senior Republicans — House Speaker Newt Gingrich, Rep Bill Archer and Rep Philip Crane — wrote Clinton that China's trade benefits should be treated as a separate issue and deserves support. The US Chamber of Commerce said normal trade with China "is the right step for business and consumers."

But House Democratic leader Richard Gephardt of Missouri said he would stand against Clinton. "We must not reward the Chinese Communist government for its continuing political repression and tyranny," Gephardt said.

Another opponent, Rep Nancy Pelosi, said Clinton's decision "ignores that China has provided Pakistan with technology critical to its development and recent testing of nuclear weapons."

The congressional debate opens just three weeks before Clinton heads to China, the first American president to visit since the 1989 Tiananmen Square crackdown on pro-democracy supporters. He will make stops in Xian, Beijing, Shanghai, Guilin and Hong Kong between June 25 and July 3.

Clinton announced his most-favoured-nation decision in a joint appearance in the Rose Garden with Secretary of

State Madeleine Albright before she left for Geneva and a meeting of the five major nuclear powers to try to stem the dangerous arms race between India and Pakistan.

The president said China's participation in the Geneva meeting was evidence of "constructive Chinese leadership" that will be "essential to the long-term resolution of issues involving South Asia."

Moreover, he said "trade is a force for change in China, exposing China to our ideas and our ideals and integrating China into the global economy."

Since 1980, every American president, Republican or Democrat, has extended most-favoured-nation trade status to China to allow it to sell goods to the United States under the lowest tariffs. The privilege is permanently granted to almost all US trading partners but must be renewed each year for China.

By law, Clinton is required to notify Congress of his intention to extend China's trade status 30 days before it expires July 3. Congress has 60 days after the expiration date to object to the recommendation.

Trying to back away from a tempest regarding Clinton's China trip, an administration official said the president's welcoming ceremonies would be in front of the Great Hall of the People, at the edge of Tiananmen Square, and not actually in the square.

A coalition of more than 30 groups had written to Clinton that by going to Tiananmen Square, "you are bestowing legitimacy to the ground where innocent blood was needlessly shed."

"It's technically not in Tiananmen Square," the administration official said, speaking on condition of anonymity. The official said the welcoming site had not been changed, but the location had been mischaracterized.

Presidential spokesman Mike McCurry suggested there wasn't much difference by changing the description of the site. "It was a controversy before," he said. "It's a controversy now."

Gary Bauer, a conservative leader and head of the Family Research Council, agreed that "It doesn't sound like much difference."

"The fact they're spinning it this way shows that the pressure that's been on, across the board, by liberal and conservative grass roots organizations is beginning to have an impact," Bauer said. The real problem is his policy, which has abandoned human rights and national security concerns for commercial consideration and other reasons.

Asian stock markets end week mixed

HONG KONG, Jun 5: Asian stock markets ended the week mixed Friday with the key index in Seoul surging 2.7 per cent following the landslide victory by South Korean President Kim Dae-jung's ruling coalition in local elections, reports AP.

Kim's party and its coalition partner took 10 of the 16 mayoral and gubernatorial posts at stake in Thursday's local elections, including the key race in Seoul, the capital.

Traders said the victory would strengthen Kim's political clout spurring him to push political and economic reforms more vigorously. The Korea Composite Stock Price Index rose 9.07 points to 341.53.

Malaysian share prices slumped in reaction to Moody's Investors Service Inc's decision to place Malaysia's foreign currency ratings on review for a possible downgrade.

The Kuala Lumpur Stock Exchange's Composite Index fell 13.56 points, or 2.6 per cent, to 505.05.

The Malaysian ringgit slipped steadily lower against the US dollar on fears that Prime Minister Mahathir Mohamad could force a change in the central bank's relatively tight monetary policy.

The dollar was quoted at 3.9860 ringgit, up from 3.9615

late Thursday.

Share prices in Tokyo fell on persistent pessimism over the health of Japan's economy.

The benchmark 225-issue Nikkei Stock Average lost 103.04 points, or 0.67 per cent, closing the week at 15,323.43 points. On Thursday, the index had gained 79.47 points, or 0.52 per cent.

Also hurting sentiment was the yen's weakening, which is seen bearish for Japanese stocks as it reduces value of yen-denominated assets against assets in foreign currencies.

The dollar was trading at 139.42 yen in late afternoon, up

1.29 yen from late Thursday in Tokyo and also above its late New York level of 138.27 yen overnight.

Elsewhere:

SINGAPORE: Share prices closed mostly lower on widespread selling by foreign investors. The benchmark Straits Times Industrial Index fell 19.28 points, or 1.6 per cent, to 1,168.46.

TAIPEI: Share prices closed higher in volatile dealings. The market's key weighted Price Index rose 79.62 points, or 1.1 per cent, to 7,505.58.

WELLINGTON: New Zealand share prices reversed early morning gains to closed

lower following a rise in local wholesale interest rates. The NZSE-40 Capital Index fell 16.34 points, or 0.76 per cent, to 2,135.70.

HONG KONG: Share prices closed generally higher in thin trading. The Hang Seng Index, the market's key indicator of blue chips, rose 11.04 points, or 0.12 per cent, to 8,569.47. On Thursday, the index had slumped 260 points.

MANILA: Philippine shares closed mixed as buying on some selected issues offset the negative impact of the higher-than-expected inflation data for May. The Philippine stock exchange index of 30 selected stocks rose

3,888 points, or 0.2 per cent to 1,957.76.

SYDNEY: Australian share prices closed lower amid worries over the slide in the Australian currency, which has scared off some foreign investors. The All Ordinaries Index fell 15.6 points, or 0.58 per cent, to 2,642.8.

JAKARTA: Indonesian share prices closed mixed. The key Composite Index rose 3.185 points, or 0.8 per cent, to 409.516.

BANGKOK: Thai share prices slightly lower on profit-taking. The Stock Exchange of Thailand (SET) Index slipped 0.65 points to 318.16.

Indonesia won't withdraw banknote with Suharto picture

JAKARTA, Jun 5: The governor of the central bank of Indonesia said yesterday there were no plans to withdraw a banknote that features a picture of former President Suharto, reports AFP.

"The 50,000 rupiah bank notes will not be replaced and it is still valid," Syahril Sabirin said.

The 50,000 rupiah (4.3 dollar) banknote, the country's largest denomination, carries a picture of a smiling Suharto on one side.

Suharto bowed to mounting popular pressure and stepped after 32 years in favour of his Vice President B J Habibie, on May 21.

Dollar falls in New York

NEW YORK, Jun 5: The dollar fell Thursday against the mark as new data showed Germany's economy strengthening, reports AP.

The dollar also slid against the Japanese yen as traders moved to the sidelines ahead of next week's Group of Seven meeting. Currency dealers have speculated that the meeting may produce an agreement for joint action to help Japan prop up the yen.

In late New York trading, the dollar was quoted at 138.27 yen, down from 138.75 yen late Wednesday. The dollar also was changing hands at 1.7654 marks, down from 1.7710.

Traders bought marks and sold dollars after Germany reported that its gross domestic product rose 1.0 per cent in the first quarter for an annual rate of 3.8 per cent. Also, manufacturing orders rose in April, a turnaround from the decline reported in March.

In addition, a German newspaper, the Bild, reported that the German government will announce next week that unemployment had the steepest monthly decrease in May since reunification with East Germany.

The dollar also lost strength when Australia's central bank bought Australian dollars and sold US dollars during New York trading to prop up the Australian currency after it dropped to a 12-year low against the US dollar.

In Britain, the Bank of England's Monetary Policy Committee surprised markets by raising a benchmark interest rate by a quarter-point, its first increase since November. The dollar and mark fell as traders scooped up British pounds.

But traders soon shrugged off the rate increase as the last of the season and sold off the British currency. The British pound was quoted at 1.6369 dollars down from 1.6399 dollars.

Other late dollar rates in New York, compared with late Wednesday: 1.4688 Swiss francs, down from 1.4757; 5.9175 French francs, down from 5.9345; 1.736.84 Italian lire, down from 1,743.55; and 1.4543 Canadian dollars, up from 1.4527.