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# The Daily Star BUSINESS

DHAKA, MONDAY, MARCH 1, 1999

\$2.5m community empowerment deal signed with UNDP

The government yesterday signed a three-year project worth 2.5 million US dollars with the United Nations Development Programme (UNDP) for community empowerment initially in two thanas of the country, reports BSS.

The two thanas where the project will be implemented are Tanore in Rajshahi and Gaibandha Sadar thana, a UNDP press release said.

Secretary of the Economic Relations Division (ERD) Dr Masihur Rahman and Resident Representative of UNDP David F Lockwood signed the agreement on behalf of their respective sides at a simple ceremony in the NEC Committee room of ERD.

The project is aimed at empowering the poor and the marginalised including women to free them from the clutches of poverty as well as enhance the capacity of the village communities to define their development needs.

The poverty alleviation project will be implemented by Bangladesh Rural Development Board (BRDB) and may be expanded to cover two other thanas — Baghmara in Rajshahi district and Faridpur Sadar thana, after reviewing the progress made during the first 18 months.

This is the second poverty alleviation project to be executed by BRDB, the first being implemented in Sylhet. Two similar projects have also been implemented in Sirajganj and Patuakhali districts by RDA and BARD respectively.

**Tk 18,253.60cr LCs opened**

Imports LCs worth Tk 18,253.60 crores (US\$ 3830.77 million) were opened by authorised dealers during July-December last.

This reflects an increase of 28.83 per cent in terms of taka and 20.69 per cent in terms of US dollar over the same period of the previous fiscal, says a BB press release issued yesterday.

The increase was due mainly to substantial rises in opening of LCs for import of foodgrains and capital machinery.

**Stable yuan top Chinese goal in 1999**

BEIJING, Feb 28: Maintaining a balance of international payments and protecting the stability of the currency are the two main goals in 1999 for China's State Administration of Foreign Exchange, a Chinese newspaper reported Sunday, says AP.

Li Fuxiang, the foreign exchange bureau's director, also vowed to continue the government's clampdown on illegal trade of foreign exchange, according to the Financial News, the official publication of the People's Bank of China, the central bank.

Last year, an outflow of hard currency from China eroded foreign exchange reserves as fears mounted that Beijing might devalue its currency to boost exports.

The government responded by tightening controls on trade financing a major channel for converting the Chinese yuan into foreign exchange. Beijing also adopted a tougher stance toward the black market, making unofficial currency trade a criminal offence.

As a result, reserve levels rebounded, with China reporting \$145 billion in foreign exchange reserves at the end of 1998, up \$5 billion from the previous year.

Chinese leaders, who have pledged not to devalue the yuan in 1998 and this year as well, want to minimize points of weakness for the currency. Officials point to massive reserves, second largest in the world next to Japan's, as proof that it can keep the yuan stable. China also recorded a \$43.59 billion trade surplus last year.

But stagnant exports, hurt by Asia's slow economic recovery, will make it difficult to match the same level in 1999.

**China-Russia trade boost likely**

BEIJING, Feb 28: Trade between China and Russia is expected to pick up this year after a decline last year, a Chinese newspaper reported Sunday, echoing the optimism expressed by officials from both sides during Premier Zhu Rongji's trip to Russia last week, reports AP.

Bilateral trade will surpass \$6 billion this year, government researcher Qin Xuanren was quoted as saying by the Business Weekly.

Trade in 1998 dropped to \$5.48 billion, compared with \$6.12 billion in 1997. Economic ties recently have been set back by Russia's economic crisis and a slowdown in China's growth.

Still, Qin said the performance of economic trade between China and Russia was out of proportion to the economic power of the two countries.

China traditionally has exported consumer goods to Russia and imported machinery, electronics and raw materials.

## Egypt for fostering trade co-op among D-8 states

The Egyptian Foreign Minister stressed the need for fostering trade and economic cooperation among the developing countries for their existence in the wake of the new economic order, reports UNB.

"Let us not despair," he said when his attention was drawn to the non-participation of the majority of the heads of state or government for the D-8 Summit. "We should take it seriously, start cooperation between business community and the government providing opportunities for them."

Talking briefly to UNB at the Egyptian Embassy, Moussa said he expressed his optimism

that the developing countries should stand firm to defend themselves and thus protect their interest in the new economic order.

He said Egypt is also looking forward to strengthen its business relations with other developing countries of Asia and Africa.

A career diplomat and a long-serving foreign minister of Egypt, Moussa thinks that confidence in the United Nations and the Security Council has eroded much over the past few years.

He said: "The membership of

the Security Council should be raised to 25 or 26 with adequate representation from Asia and Africa."

The Egyptian foreign minister was optimistic about peaceful solution of the Palestinian problem.

He said: "We are opposed to resorting to force to resolve the long-standing problem that arose from the intransigent attitude of Israel. Israel must abide by the peace agreement... I hope constant diplomatic efforts will ultimately help in peaceful resolution of the Palestinian problem."



HONG KONG (China): A woman makes a call on her mobile phone as she carries her pet dog through a Hong Kong intersection Sunday. A ferocious new mobile telephone price war is set to begin in Hong Kong today when for the first time users will be able to take their current telephone number with them when they switch to a new network. Service providers have already slashed prices to entice current users to stay and new users to sign up. Hong Kong has 2.9 million mobile phone users in the territory, accounting for 42 per cent of the population.

— AFP photo

### Pak textile body urges WTO appeal if US limits yarn imports

KARACHI, Feb 28: Pakistani textile makers said yesterday their government should take the United States to the World Trade Organisation if it goes ahead with plans to curtail imports of Pakistani combed yarn, reports AFP.

The US has told Pakistan its exporters are dumping the yarn on the American market and has proposed a limit of 5.2 million kilograms. A US decision on the matter is expected next month.

Humayun Elahi Sheikh, Chairman of the All Pakistan Textile Mills Association, denied dumping and said the US move was against the spirit of globalisation of trade.

Iraq seeks its pre-sanctions OPEC quota

BAGHDAD, Feb 28: Iraq said yesterday that it will ask OPEC next month to restore its pre-sanctions oil production quota at the expense of Saudi Arabia, reports AFP.

Oil Ministry Under Secretary Sami Sharif told the newspaper Al-Iraq that the request would be lodged at the OPEC ministerial meeting in Vienna on March 23.

Iraq has the right to claim back its quota of 3.14 million barrels per day (BPD), as it stood before UN sanctions were imposed on Iraq on its August 1990 invasion of Kuwait, he said.

To make up for the loss of Iraqi oil, Saudi Arabia raised its output from 5.4 million BPD to more than eight million BPD, while the output of the United Arab Emirates was increased to two million BPD, from 1.5 million BPD.

Sharif contested the Saudi increase but he did not mention the UAE, which has supported Baghdad with calls for sanctions to be lifted.

Iraq will also demand compensation from Saudi Arabia and Kuwait for its lost revenues from 1986 up until the present day due to low oil prices, the official said, without giving a figure.

Before the invasion, Iraq protested at losses amounting to \$9 billion dollars and blamed Kuwait and the UAE for low prices.

It also accused Kuwait of stealing 2.4 billion dollars worth of oil from a field on the border.

Iraq's current output capacity is 2.71 million BPD but it aims to raise capacity to three million BPD after repairs to its war-battered oil installations.

By Hemant Babu

As he spoke about various schemes, the capital market began to slide down as it was too impatient to wait till the end. At one point the index came down to its opening level, making the investors and punters nervous.

However, the market once again picked up momentum as the Finance Minister began to read out various measures to improve the investment environment.

The investors and punters welcomed the tax exemption on the dividend income through equity based mutual funds, tax benefits for corporate mergers and acquisitions, special concession for the entertainment industry and expected benefits to the Information Technology companies.

The immediate benefits to select industries overshadowed the larger concerns over the fiscal health of the Indian economy.

The investors were too busy calculating their portfolio to think about fiscal deficit and the inflationary pressure, dealers said. The mood in a broker's office was that of excitement. Most retail clients had their eyes fixed on the trading screen and had no time to look back on the TV screen to witness the happenings in Parliament.

Pharmaceutical and IT companies, which remained the hot favourite of operators and speculators, continued to be the

same even after the budget.

By the mid-trading session, most of the companies in these two sectors had all buyers but there was no one to sell.

The shares of entertainment companies too came into lime-light with the Finance Minister announcing sops for the sector to go global. There were many buyers for the shares of Zee TV and Adhikar Brothers.

The companies in the field of housing finance also drew investors' attraction even as the shares of the companies producing Fast Moving Consumer Goods (FMCG) remained in good demand.

Market analysts, however, say the market eventually will have to reconcile with the fiscal imbalance that the budget has brought out.

Economist and tax consultant Chaitanya Dalal pointed out that wide fiscal deficit, absence of any concrete measures to boost exports and the inflationary potential would most certainly affect corporate India as well.

"The present level of the market or even its optimism do not seem to be realistic," he said.

Over the last week, pre-budget blues coupled with continuing political uncertainty, had dampened the mood in the market with trading volumes

taking a nose dive.

The intra-day traders and cautious individual investors preferred to keep a low profile. But in the absence of institutional support the volumes on the Bombay Stock Exchange as well as the National Stock Exchange dwindled considerably.

According to the figures available by the weekend, the combined drop in the trading volume was to the tune of 38 per cent.

The fact that the fall was prominent in active stocks like Pentafour, Satyam, ITC and the State Bank of India indicated that the institutional investors were unwilling to make large scale commitments before the budget.

"Even a bit of disappointment could prepare the ground for long-term downturn in the market," said BSE trader Hiten Shah.

With low volume the share prices moved disproportionately on low liquidity scarring the small investors further away.

The market activities had further slowed down with the presentation of the Union railway budget on February 25.

A four per cent straight hike in freight rates may lead to further inflationary pressure, analysts believe.

The foreign exchange mar-

ket was stirred up with the federal government presenting the Economic Survey.

The fiscal deficit, the slowdown in the industrial growth rate and the pressure on reserves due to declining exports forced a depreciation in Indian rupee against a US dollar.

In two trading days after the presentation of the survey the rupee eroded by 20 paise. On the last trading day of the week the rupee was quoted at Rs 42.62 against the US dollar.

The forex dealers say the rupee was unlikely to look up in short term unless the budget triggers off a large scale inflow of fresh foreign funds.

The forex brokers have been in a bit of a distress as most banks dealing in foreign currency were expected to announce a brokerage cut by March.

Even as the general sentiments in the stock markets were down, the gold prices moved upward with fresh local demand. Silver too was strong on strong overseas advice.

According to a dealer, standard gold rose by Rs 20 to Rs 4370 from its last close Rs 4350 while the 22 carat gold was quoted Rs 15 higher at Rs 4040. Silver too improved by Rs 10 on the last trading day of the week, the trader said.

— India Abroad News Service

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