

# Bid to salvage free-trade pact

## India proposes tea export quotas to Sri Lanka

COLOMBO, Mar 15: India has offered quotas as a compromise to salvage a crumbling free-trade agreement with Sri Lanka after withdrawing at the last minute concessions on tea, officials here said yesterday, reports AFP.

New Delhi is proposing a tea export quota to Sri Lanka following the virtual collapse of the Indo-Lanka Free Trade

Agreement which should have gone into effect on March 1, officials said.

"The suggestion now is that (Sri Lanka) tea exports should be subject to a ceiling of about 10 million dollars a year," a trade official here said.

"This is a far cry from what was promised and makes a mockery of a free trade pact."

Tea and rubber are Sri

Lanka's main export commodities but India placed both on a "negative list" of products to be excluded from tariff concessions covered by the treaty just before its planned implementation.

Sri Lankan President Chandrika Kumaratunga, who signed the trade agreement on December 28 with Indian Prime Minister Atal Behari Vajapayee, told visiting Polish President Aleksander Kwasniewsky Saturday that she expected foreign enterprises to follow the developments closely.

Sri Lanka had been hoping that more foreign firms would invest here with the prospect of using the free-trade agreement to export to the vast market in neighbouring India.

Kumaratunga said she expected the free-trade pact to come into effect shortly but did not refer to the contentious issues over tea and rubber that have stalled its implementation.

Trade sources said that India was proposing the export quotas and as a compromise was also offering quotas on garments, one of Sri Lanka's main industrial exports. However, the quantities have not been specified.

There has also been no formal reaction from Sri Lanka to the Indian compromise plan. But businessmen here at the be-

ginning of the month decried New Delhi's U-turn on tea and rubber as an act of bad faith.

Sri Lanka had earlier focused on tea in a bid to reduce a huge trade gap favouring India by a ratio of 13 to 1.

Sri Lanka was planning to export about five to 10 million kilos (11 to 22 million pounds) of tea to India, which is the world's largest producer as well as the biggest consumer of tea.

Sri Lanka has been trying hard to sell tea to India to make good the losses suffered as a result of the economic crisis in Russia, a key buyer of Sri Lankan tea.

India lifted a ban on tea imports in July last year, but imposes a 19.5 per cent tariff which makes Sri Lankan tea uncompetitive in the neighbouring market.

The trade pact envisages India's elimination of some of the import tariffs on Sri Lankan products within three years while Sri Lanka will take eight years to reciprocate.

However, Sri Lanka's import tariffs, which are already lower than those of India's, are to be brought down across the board by next year, making some of the Indian concessions redundant.

And with the exclusion of tea and rubber, Sri Lanka will have very little to export to India in any case.

### LatAm states to dip further in crises

PARIS, Mar 15: Latin America will face further economic slowdown and may be hit by new outbreaks of financial turmoil this year, the Inter-American Development Bank warned on Monday, says Reuters.

Financial crises originating in Asia and Russia cut Latin America's growth by half to 2.5 per cent in 1998 from 5.3 per cent in 1997, and the outlook for 1999 is grim, the bank said in its annual report.

"It is going to be a difficult year, with less growth than last year," IADB President Enrique Iglesias told reporters before the start of the Board of Governors' meeting here.

Brazil, the region's powerhouse, faces severe recession as it battles with a currency crisis since devaluing in January, but Iglesias said the government was taking the right steps to deal with its massive deficit.

"I am very confident that these measures will stabilise the currency at a reasonable level," Iglesias said.

Slower growth, expansionary monetary policies and low interest rates in the industrialised nations should prompt a recovery of capital flows to emerging markets, auguring a more benign financial environment for Latin America, the bank said.

But it warned that "the possibility of new eruptions of instability cannot be dismissed," including sharp declines in the US equity markets.

Reduced world economic growth will also keep commodity prices depressed, posing a big challenge for several Latin American countries as they strive to hold on to hard-gained economic stability.

And with the exclusion of tea and rubber, Sri Lanka will have very little to export to India in any case.



World Bank Vice-President and Chief Economist Dr Joseph Stiglitz along with high officials of the Bank's Dhaka office, met the members of Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka, at the chamber yesterday. Frederick T. Temple, Country Director of World Bank Dhaka office, Mahbub Jamil, President of MCCI, Mahbubur Rahman, President of ICC-Bangladesh, and M H Rahman, President, DCCI, are also seen.

—MCCI photo

## Global economic stability depends on free trade: US

WASHINGTON, Mar 15: The world economy stability depends largely on unfettered international trade, the US Treasury's Deputy Secretary, Lawrence Summers, said here yesterday, reports AFP.

"It is important that the world market lay open," Summers said at a meeting of the trilateral commission, a consultative body that includes top US, Japanese and European economy officials.

To illustrate his point, the deputy secretary described a chain of ties linking worldwide

economic growth with free trade.

He said the global economy depends increasingly on US growth which in turn relies on robust spending by US consumers and they have invested more and more in recent years in financial markets, which rely on free trade.

Without referring directly to current tensions plaguing US-European trade relations, Summers warned that a trend toward state-subsidised or state-controlled markets would carry grave risks.

On a separate theme, he said a top goal now for the United States is to achieve a "soft landing" for its economy after eight consecutive years of growth.

For 1998, US growth was just under four per cent, economists expect 1999's performance will be just below 2.5 per cent.

"The US expansion is a relatively healthy one as the growth of investment and exports has been relatively strong," Summers said, adding that inflation in state-controlled markets would carry grave risks.

## EU ministers claim progress towards financing reforms

REINHARTSHAUSEN (Germany), Mar 15: European Union foreign ministers claimed progress towards sweeping reforms of EU finances on Sunday but were still unsure they could meet their own deadline for an accord in 10 days time, reports Reuters.

"We have taken a decisive step forward here," German Foreign Minister Joschka Fischer told reporters, adding he was confident of preserving London's special rebate on its EU contributions, despite complaints from its partners.

"We are closer to an agreement than we were yesterday," said Spain's Abel Matutes. He made no comment on remarks by others that one reason for their optimism was a perceived softening in Spain's defence of the aid it gets from Brussels.

But there is still detailed work to be done.

Germany, the Union's biggest paymaster, is forcing the pace to reach an overall deal placing a corset on EU spending at a summit in Berlin next week. If not, Bonn says, the Union cannot afford plans to admit poor new members from eastern Europe.

Finance ministers meet in Brussels today and German Chancellor Gerhard Schroeder, whose government holds the EU's rotating presidency, embarks on a tour of European capitals.

The chances of a deal are better than they have been before,

British Foreign Secretary Robin Cook told reporters, adding he was confident of preserving London's special rebate on its EU contributions, despite complaints from its partners.

Despite the doubts voiced by Chirac and others not to mention farmers across the continent, Fischer and Jacques Santer, who heads the bloc's Executive Commission, said all 15 ministers agreed the basic deal cutting guaranteed prices on milk, beef and cereals should stand, albeit with fine-tuning.

Since farm spending accounts for about half the EU budget, the agriculture accord, hammered out in round the clock talks in Brussels last week, is a vital part of any deal in Berlin.

### SMIDO chief wins int'l award

#### Star Business Report

Chairman of Small and Medium Industries Development Organisation (SMIDO) G H M Obaidul Hoque has been presented with an international award for his outstanding contribution to the small and medium enterprises development over the past 15 years.

The 110-nation World Association for Small and Medium Enterprises (WASME) gave the World Honour of Award '97 to the Bangladeshi entrepreneur at an international conference on small and medium enterprises at a Mumbai hotel recently.

WASME President Ki-Jung Ryu formally handed over the award to Hoque. Governor of Maharashtra was also present at the time of awarding, says a press release issued in city Sun day.



SMIDO Chairman G H M Obaidul Hoque receives the World Honour of Award at a recent international conference on small and medium enterprises at a Mumbai hotel.

### Exchange Rates

American Express Bank Ltd foreign exchange rates (indicative) against the Taka to clients

Currency	Selling T/ OD	Selling B/C	Buying T/ T Clean	Buying OD Sight Export Bill	Buying OD Transfer
US Dollar	48.7300	48.7700	48.3100	48.1570	48.0850
Pound Stg	79.5761	79.6414	78.3588	78.1107	77.9939
Deutsche Mark	27.5314	27.5540	26.5283	26.4443	26.4048
Swiss Franc	33.3539	33.3812	32.8193	32.7154	32.6664
Japanese Yen	0.4107	0.4110	0.4034	0.4021	0.4015
Dutch Guilder	24.4345	24.4546	23.5444	23.4638	23.4347
Danish Krone	7.1957	7.2016	7.0265	7.0046	6.9941
Australian	31.3724	31.3981	30.1116	30.0163	29.9714
Belgian Franc	1.3348	1.3350	1.2862	1.2821	1.2802
Canadian \$	32.2630	32.2895	31.3416	31.2424	31.1957
French Franc	8.2089	8.2156	7.9098	7.8848	7.8730
Hong Kong \$	6.3008	6.3060	6.2216	6.2019	6.1926
Italian Lira	0.0278	0.0278	0.0268	0.0267	0.0267
Norway Krone	6.2603	6.2654	6.1526	6.1331	6.1239
Singapore \$	28.5304	28.5539	27.6215	27.5340	27.4929
Saudi Riyal	13.0413	13.0520	12.8429	12.8223	12.7331
UAE Dirham	13.3044	13.3153	13.1167	13.0751	13.0556
Swedish Krona	6.0146	6.0195	5.9349	5.9161	5.9072
Qatari Riyal	13.4224	13.4334	13.2302	13.1883	13.1686
Kuwaiti Dinar	166.7123	166.8491	152.7347	152.2510	152.0234
Thai Baht	1.3063	1.3073	1.2929	1.2888	1.2869
Euro	53.8467	53.8909	51.8849	51.7206	51.6433

### Bill buying rates:

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
48.2112	47.9074	47.5048	47.1023	46.6997	45.8945

### Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
42.415/	50.150/	37.3/	3.7900/	8780/	1230/
42.422	50.250/	37.4	3.8000	8800	1233

### Amex notes on Monday's market

The USD/BDT market high demand for greenback. However, the rate ranged between 48.65 and 48.70. Even though there was T-bill payment of Tk 277.40 crore, the call market remained liquid and the rate ranged between 7.0 and 8.0%.

The dollar extended its losses against the yen in late Tokyo trade on Monday, slipping to near a one-month low as strong offers led by overseas operators emerged due to convincing rallies in Japanese share prices.

The dollar's undertone was also depressed against the yen after comments by Japanese Vice Finance Minister Eisuke Sakakibara, warning against excessive yen strength, failed to induce heavy follow-through dollar buying.

At 07.30 GMT the majors were traded against US \$ at 118.80/70 JPY, 1.7906/14 DEM, 1.4630/40 CHF, Euro at \$ 1.0920/25 and GBP at \$ 1.6274/84.

### BCIC Re-Tender Notice

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