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More Americans want to invest in Bangladesh

US Ambassador to Bangladesh John C Holzman called on Commerce Minister Tofail Ahmed at his office yesterday and discussed the ways to increase Bangladesh export to US and US investment in Bangladesh, reports UNB.

The US envoy informed the minister that many US companies are now investing in Bangladesh and many others will come if they get government help and support.

The Commerce Minister assured the US envoy of all sorts of support to the foreign investors, especially the US entrepreneurs.

"We are offering a wide range of incentives to attract FDI and will do more," he said, terming USA as an important development partner. People of Bangladesh value the US investment, he said.

BB T-bill auction held

The 39th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held here yesterday, says UNB.

Some Tk 212 crore, Tk 27 crore, Tk 67 crore, Tk 140 crore and Tk 70.03 crore were offered respectively for the 28-day, 91-day, 182-day, 364-day and 2-year bills.

Of these, Tk 200 crore, Tk 22 crore, Tk 18 crore, Tk 25 crore and Tk 5 crore of the 28-day, 91-day, 182-day, 364-day and 2-year bills were accepted respectively.

Range of the implicit yields were 7.50%, [illegible], 8.48%, 8.52%, 8.90%, 9.40% and 9.67% per annum respectively, said a Bangladesh Bank press release.

No bid was offered for the 5-year bill.

Indian stocks await peace talks with Pakistan

BOMBAY, June 6: Indian investors will await next week's proposed talks with Pakistan over the disputed Kashmir region, hoping they will boost the market, stock brokers said yesterday, reports AFP.

The 30-share Bombay Stock Exchange (BSE) sensitive index was up 269.20 points, or 7.2 per cent, to close the week Friday at 4,042.52 points, over the previous week's close.

The broad-based 100-share national index was up 107.12 points, or 6.5 per cent, to close Friday at 1,744.09 points, over the previous week's close.

India has been fighting Islamic guerilla infiltrators from Pakistan in Kashmir since May 9. The military offensive, backed since May 26 by air strikes, has escalated tensions between arch-rivals India and Pakistan.

The Indian stock and foreign exchange markets are worried the conflict could escalate. The two countries have fought three wars.

The reported gains made by the Indian military during recent days and the likelihood of talks between New Delhi and Islamabad have led to a smart recovery of market sentiment.

Pakistan has offered to send its foreign minister to India for talks on Monday. India on Saturday had not yet agreed on a date.

HK workers protest reform measures

HONG KONG, June 6: Thousands of government workers staged a mass rally for a third straight Sunday to pressure Hong Kong to scrap plans for cutting costs and improving the efficiency of the territory's civil service, reports AP.

About 8,000 demonstrators, mostly employees of the government Water Supplies Department and their supporters, marched from a downtown park to the central government headquarters to protest a recent proposal to privatise the department, government-owned Radio Hong Kong reported.

Union representatives said the plan would deny citizens' rights to have their water quality monitored and may jeopardise the fresh water supply should a contracted private firm go out of business.

Lawmaker Albert Ho from the Democratic Party told the radio the government should delay any plans to shake up the bureaucracy until the economy recovers.

Civil servants have been staging mass rallies for the past few weekends to protest the reforms, which include plans to abolish the jobs-for-life government employment system and privatise some government operations.

In another anti-government protest Sunday, about 200 mainland Chinese protested the government's decision to ask Beijing lawmakers to revoke residency rights for some 1.5 million mainlanders.

The move essentially overturn part of a landmark ruling by Hong Kong's highest court that granted residency rights to any mainland Chinese with one Hong Kong parent. Legal experts are opposed to the move, saying it damages the territory's judicial independence.

Political uncertainty, slow pace of reforms

Foreign investment in India may fall this fiscal year

BOMBAY, June 6: India's political uncertainty and slow pace of reforms will scare foreign investors away during the current fiscal year to March 2000, analysts said, reports AFP.

"The year to March 2000 will be a difficult year for foreign investments. It will not show any growth and in fact there might be a decline," said Tarun Das, Secretary General of the industry association Confederation of Indian Industry (CII).

Foreign investor sentiment about India was slowly turning negative and this would hit investment inflows, Das said adding the current political uncertainty was the main culprit.

India will hold in September its third general elections since 1996 when political instability hit New Delhi.

The current ruling Hindu nationalist-led coalition government came to power in March 1998 and lasted for just over an year. It was voted out in a parliamentary confidence vote in April.

Analysts are pessimistic about any party being returned to power with a clear majority in parliament.

India has been in the grip of an economic slowdown, due to falling consumer demand. Gross domestic product growth grew 5.8 per cent in the year to March 1999, down from 7.5 per cent growth two years earlier.

The growth forecast by various independent economic groups for the year to March 2000 averages below six per cent.

Das said foreign investor sentiment was also depressed by the felling that pro-market reforms had not moved forward in recent years.

Analyst Devesh Kumar, at foreign brokerage ABN AMRO Equities Asia, said India was expected to attract overseas investment worth between 2.5 billion dollars and three billion dollars in the year to March 2000.

"Last year overseas investments worth about three billion dollars came in. It will be lower this year," he said.

Kumar agreed that political instability was the biggest hurdle to more foreign direct investments flowing into India.

"No new, big money is expected to come in. No investor was to put money in a new project till political situation becomes more stable, because a new government may overturn the pervious one's decisions," Kumar said.

He said foreign investors were waiting for clear, pro-market policies in the telecom, power, roads and ports sectors.

"These are the sectors in which big money can come in from overseas provided there are clear, investor-friendly policies. Though some opening up has taken place in these sectors as well, a lot of issues are still unclear," he said.

India began pro-market reforms in 1991, reversing nearly four decades of quasi-socialist policies.

The reforms also saw a sharp rise in overseas direct investments, which rose from 150 million dollars in the year to March 1992 to 3.2 billion dollars — the highest ever — in the year to March 19.

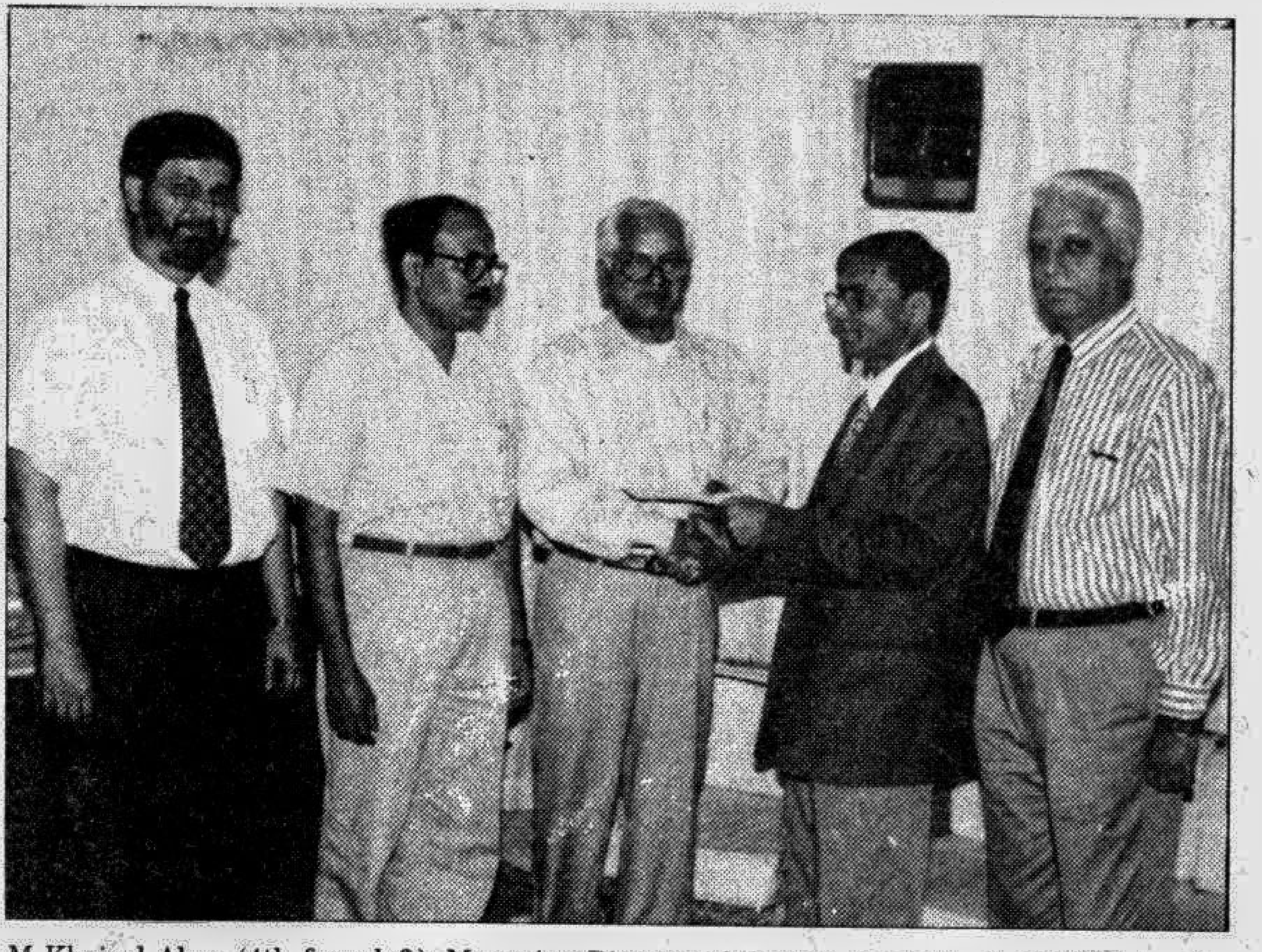
The year to March 1999 saw investments dip to three billion dollars in the wake of political uncertainty and the US-led economic sanctions after New Delhi conducted five nuclear tests in May 1998.

Economist Rajan Govil, at foreign brokerage HSBC Securities, echoed Kumar's views and said that foreign investments in the year to March 2000 would be lower than in the previous year.

"I do not see any acceleration in foreign direct investments at this point of time," Govil said.

"There is a lot of uncertainty in general about emerging markets, where a lot of industrial restructuring, mergers and acquisitions are taking place," he said.

"A lot of policy initiatives and implementation are lacking in infrastructure and the last couple of years we have had very few reforms as well," he said.



M Khairul Alam (4th from left), Managing Director of Eastern Bank Limited (EBL), hands over the first instalment of Tk 2 lakh to Prof Sirajul Islam, Project Director and Chief Editor of Encyclopedia of Bangladesh Project, Asiatic Society of Bangladesh, as financial support to the project recently. M Hedayetul Islam (extreme right), Executive Vice President of EBL, Dr Sajahan Miah (2nd from left), General Secretary, Asiatic Society of Bangladesh and Andre Kemal Rahim (extreme left), Vice President of EBL were present on the occasion. The bank has decided to contribute Tk 5 lakh to the project. —EBL photo

Size of undocumented Pak economy $30b to $40b

KARACHI, June 6: Siddique does not make much as a Karachi fruit trader, but what he does earn does not get reported to the taxman, reports Reuters.

"I have never submitted a tax return nor do I intend to," said Siddique, who earns about 500 rupees ($10) a day.

But while his income is merely a drop in Pakistan's underground economy, estimated at about two-thirds of the country's official economy, it reflects the problem the government faces when it puts together its budgets.

And Siddique's attitude is typical in Pakistan, where just one million of its 130 million people pay any tax.

Add in a black economy where smugglers move goods worth $3 billion a year in and out of the country and money brokers send millions of dollars out of Pakistan through illegal channels, and it is easy to see the problems Finance Minister Ishaq Dar has to cope with when he represents his budget on June 12.

Dar recently said the size of the undocumented economy was 1.5 trillion to two trillion rupees ($30 billion to $40 billion), compared to official gross domestic product of about 2.76 trillion rupees in the last fiscal year.

Pakistan's tax-to-GDP ratio has stagnated at 13 per cent in the 1990's, compared with 19 per cent in India and 25 per cent in other developing countries.

Need to Boost Revenue

Boosting revenues is seen as a key to reviving the economy, still struggling to right itself after sanctions cut into growth after last May's nuclear tests.

Pakistan has promised international donors it will try to fix its tax system and broaden the tax base, but economists say the government is now looking at short-term measures to boost revenue.

A traders' enrolement certificate scheme was introduced last year as an alternative to a retail sales tax because of strong resistance from traders.

Although the International Monetary Fund has insisted that a retail sales tax be imposed, there are indications the scheme — which allows traders to pay a fixed tax on turnover — may become more permanent.

But analysts say it cannot be sustained for long because revenue would at some point stagnate.

Roundtable on budget at CIRDAP today

A day-long roundtable titled "The Budget We Really Want" will be held at CIRDAP auditorium here today, says UNB.

MPs, senior government officials, donors, policy analysts, researchers, national and international NGO executives and university teachers will take part in the conference. The roundtable aims to quest for a pro-poor national budget.

State Minister for Planning Dr Muhiuddin Khan Alamgir will attend the roundtable to be jointly organised by Institute for Development Policy Analysis and Advocacy (IDPAA), Proshika, Sangbad and Shamunnay.

Shamunnay Executive Chairman Dr Atiur Rahman will present the findings of a study report titled "People's Budget: All Illustrative Exercise Using Participatory Tools".

Japan sees modest growth

TOKYO, June 6: Japan's long-flagging economy has probably outperformed the sceptics and posted modest growth in the first three months of the year, Economic Planning Agency chief Taichi Sakaiya said today, reports Reuters.

"I have the feeling January-March was better than forecast," Sakaiya said on public broadcaster NHK.

He also confirmed that the EPA will slightly upgrade its economic assessment in a monthly report due out on Tuesday.

The EPA, which has said for three months that the economy was in the process of halting its decline, will say clearly the downturn has stopped, he said.

But he indicated it would not declare that the economy has "hit bottom", an expression seen as indicating that the next move is upward."

He said private economists are split on whether the gross domestic product (GDP) grew or shrank for the quarter, forecasting on average a 0.1 per cent contraction.

That matches a Reuters survey of 18 private economists last week on January-March GDP, which the EPA will release on Thursday.

If GDP comes in as forecast, Sakaiya said, GDP for the full fiscal year to March would be about minus 2.5 per cent, compared with the EPA's official forecast of minus 2.2 per cent.

"Depending on how the numbers come out, we'll either be on the mark or a bit below, but it won't be that dramatic," Sakaiya said.

Sakaiya reiterated the government's long-standing promise to break the two-year slide with GDP growth of 0.5 per cent this fiscal year.

And while he said the government must quickly decide on a supplementary budget to pay for a jobs and corporate restructuring package due out on Friday, he remained negative to the idea of more government spending aimed directly at stimulating the economy.

"We think there's already quite a lot of money in public works investment, so we shouldn't immediately talk about increasing that," Sakaiya said.

Appearing on the same NHK programme, economics professor Heizo Takenaka, a member of Prime Minister Keizo Obuchi's Economic Strategy Council, said he thought Obuchi and Sakaiya had already concluded more stimulus was needed but could not say so publicly yet.

On the present course, GDP will be flat or negative in 1999/2000, so Obuchi has likely decided he will need additional stimulus worth at least 0.5 per cent of annual GDP, Takenaka said. That would amount to roughly 2.5 trillion yen ($20 billion).

An employee of Sri Lanka's Tea Promotion Bureau shows locally packed tea on Friday in Colombo as the country debates whether to import cheap teas for blending with high quality "Pure Ceylon Tea." Sri Lanka currently prohibits the import of tea except under special circumstances but the industry argues that the future depends on blending and value addition rather than selling a primary commodity. Sri Lanka is currently the world's largest exporter of tea.

—AFP photo

Lankan tea debate hots up as blending hopes rise

COLOMBO, June 6: Taking tea to Sri Lanka may sound as daft as taking coals to Newcastle but that is exactly what the world's largest tea exporter is contemplating, says AFP.

Sri Lanka exported 272 million kilograms (598 million pounds) of tea last year to retain its number one position. Known by the previous name of the country, "Pure Ceylon tea" is still the island's largest single hard cash earner.

However, the industry is now debating whether to allow imports of tea essential for a value-added blending industry to make good the losses suffered in a declining market.

"What we are selling at the moment is simply a commodity. We must get on to selling a product if we are to earn more and become an international tea centre," said Hasitha de Alwis, director of Sri Lanka's Tea Promotion Bureau.

Since a Scotsman named James Taylor planted the first tea bush, the Camellia Sinensis in 1849, tea has been a primary export but with value added abroad by multinationals.

De Alwis said Sri Lanka has been losing out on the lucrative blending business because tight laws ban the import of teas similar to what is produced locally.

Sri Lanka does not allow the import of orthodox teas but permits less than five million kilograms (11 million pounds) of highly specialised teas like Darjeeling into the country for a limited blending operation.

De Alwis notes that value addition which accounted for over 50 per cent of total exports in 1996 had dropped to 38 per cent this year.

Supporters of allowing larger tea imports believe the existing legislation may have encouraged tea giant Unilever to set up a huge tea bagging plant in the Jebel Ali free trade zone in Dubai instead of coming to Colombo.

Many believe that Sri Lanka, with easy access to good quality teas locally, would have been the ideal location for Unilever had the government allowed tea to be imported for blending purposes.

"They would have used quite a large quantity of our orthodox teas to blend with cheaper teas brought from countries like Indonesia and Vietnam," an industry official here said.

The Unilever factory is expected to get its supplies mainly from Kenya and India to fill the Lipton tea bags.

But growers are vary of any move to import teas. Some militantly oppose the idea, fearing cheaper imports will eventually harm the image of "Pure Ceylon Tea".

A spokesman for the private tea factory owners association, Herman Gunaratne, said there was no guarantee that imported teas would not be leaked to the local market.

"Some are trying to make Sri Lanka a blending centre ... but how can you stop cheap Vietnamese tea being mixed with our tea and sold again at the auction," Gunaratne said.

He said only Sri Lanka produces what is known as low grown teas, which are found in low altitudes, and the uniqueness would be diluted if imports were allowed.

"Let us first get the market going before we can become a tea blending centre," Gunaratne said.

Low grown teas have been faring better than the high grown teas since the Russians stopped their bulk purchases late last year. However prices have fallen by over 30 per cent in the past year at the Colombo tea sale.

Many brokers feel Sri Lanka could retain a niche for its superior aromatic teas while servicing the mass markets by selling an international blend which contains a considerable amount of Ceylons.

Few connoisseurs can afford the genuine Pure Ceylon Tea.

"It is very rare to find anyone selling pure Ceylon tea anymore", said a broker who declined to be named. "What you get is a blended product. In the short term there is some value in importing tea for re-export."

Europeans keep faith in euro despite its 12pc plunge

LONDON, June 6: You can't see it or stuff it in your wallet, and it exists as little more than a bookkeeping entry for governments and businesses, says AP.

Yet Europe's regional currency, the euro, remains a potent symbol of regional unity despite a 12 per cent plunge in its value against the US dollar since its January debut.

Bank statements in Finland, supermarket signs in Portugal, menus in France — all of them list prices in euros, along with equivalent figures in markkaa, escudos and francs.

Eleven countries formed the common currency in an effort to create a borderless economy and enhance their global competitiveness. By harmonizing their economies, the group also hoped to create a worthy rival to the dollar as a reserve currency and move closer toward the ultimate goal of political unification.

The euro began its rocky descent almost from the outset, tumbling from $ 1.1789 on Jan. 4 to $ 1.0318 in late trading Friday.

Among the causes for its weakness have been economic torpor in Germany and Italy, fears of a widening conflict in the Balkans, and public disputes over the wisdom of interest rate cuts by the European Central Bank.

At the same time, unexpectedly robust economic growth in the United States has strengthened the dollar reinforcing perceptions of the fledgling euro as a financial runt.

"Confidence has been dented almost since day one," says Neil Parker, an economist at The Royal Bank of Scotland. "It will take time to repair the damage."

However, popular sentiment in favour of the euro remains strong in many parts of Europe.

In an international poll published last week in the Italian newspaper La Stampa, 77 per cent of those interviewed in Italy said the euro was a good thing — an increase of 10 per cent from last November before the euro was even launched.

The poll showed Spain with the second-highest approval rating at 71 per cent.

"It is a good thing given one condition: that it results in the elimination of borders in Europe," said Roberto Morici, 33, a consultant in Rome.

The nations using the euro are Austria, Belgium, Germany, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain. Britain, Denmark and Sweden have opted to stay out, for now.

The countries in "euroland" are all on track to replace their own national currencies with the euro in 2002, even though some people have taken little notice of it. And despite its disappointing performance, no regional leader has called for a withdrawal from the common currency.

"It would be a very sad day ... if one considered longer-term political issues in light of shorter-term fluctuations in financial markets," said Charles Goodhart, an economics professor at The London School of Economics.

Like all freely traded currencies, the euro's value reflects the degree of confidence investors have in it.

The euro got a brief boost from the abrupt resignation on March 11 of Germany's former finance minister, Oskar Lafontaine, who had argued vociferously in favour of lowering European interest rates.

But it faltered after NATO aircraft began bombing targets in Yugoslavia on March 24. Economists and currency analysts say the euro's value has eroded by as much as three cents against the dollar due to fears that fighting in Kosovo might spill over into neighbouring countries.

Many euro-watchers point to sluggish growth in Germany and Italy — which together account for half the region's economic output — as the underlying reason for the currency's continued weakness.

"The bottom line is, do you believe in European growth? It's all about fundamental economics," said David Bloom, senior currency strategist at HSBC in London.

A weak euro has its advantages, enabling euroland's exporters to sell their products more cheaply than competing goods denominated in other currencies. That, in turn, should help rekindle growth and enable Europe's laggards to catch up with its sprinters — Ireland, Spain and Portugal.

Schering AG, a German pharmaceuticals company, says the weakened euro should help generate stronger overseas sales of its diagnostics drugs, which are used as imaging agents for X-rays. Sales of diagnostics depend heavily on competitive pricing, explained Kemalettin Uenal, a currency manager for the Berlin-based firm.

The soft euro also underscores the need for economic reforms, especially those making it easier for the region's companies to hire and fire workers, said Hung Tran, chief economist at Rabobank of the Netherlands.

Until European growth picks up, the euro is likely to continue slipping toward parity with the dollar, a level seen as psychologically worrisome for the common currency.

Nonetheless, many Europeans are confident enough to put money on the euro's long-term viability.

Juha Paunonen, chief executive of a Helsinki consulting firm called HTML Software, is investing $700 for software to make his accounting system euro-compatible.

"Imagine if the New York Stock Exchange started using the British pound," he said. "You couldn't have a bigger change."