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India sees 7 pc growth in 2000-01

CALCUTTA, India, June 16: India's gross domestic product (GDP) will grow more than seven per cent in 2000/01 (April-March), a senior official said yesterday, reports Reuters.

"It will grow seven per cent plus, on current reckoning," NK Singh, secretary in the prime minister's office, told reporters on the sidelines of a business conference in Calcutta.

Singh said his assessment was based on expectations of strong growth in the manufacturing sector, better agricultural production because of good monsoon rains and higher investment flow.

He said investment in the telecommunications sector was likely to increase significantly because the government would shortly finalise a revenue-sharing mechanism with private firms, which will encourage financial institutions to lend money.

Singh said India's GDP grew about 6.5 per cent in 1999/00 although it was officially estimated at 5.9 per cent earlier.

He said the earlier estimate had not factored in India's booming software sector, which added about half a percentage point to the figure.

A Reuters poll of 10 research houses released on Wednesday projected India's GDP to grow 6.6 per cent in 2000/01. Estimates varied from 6.0 per cent to 7.3 per cent.

Stock exchanges to have stronger circuit breaker from July1

SEC move to curb abuse of the system

By M Shamsur Rahman

The capital market regulators have decided to strengthen the exiting 'circuit breaker' system to do away with the loopholes that has all these times been abused by certain unscrupulous stock traders.

Both the stock exchanges will adopt the new circuit breaker system from July 1, 2000, according to a board decision of the Securities and Exchange Commission (SEC) last Wednesday.

The board meeting of the capital market regulators decided to withdraw the facilities that offered free share trade facility for three consecutive days to those companies which disclose any price sensitive information.

These price sensitive information are the declaration of right shares, issue of bonus shares or dividend declaration by the companies.

The SEC regulations also allowed the companies, which have not been traded for 30 consecutive trading days, to enjoy the free trade facility for three trading days in a row.

Both these facilities will be abolished from July 1, 2000, according to the SEC order issued to both the stock exchanges soon after Wednesday's board meeting.

SEC officials said that such provisions were allowed with a view to determining the price of any issue by the market at a reasonable level based on fundamental strengths of the respective companies.

"Such fundamental strengths may be determined by the investors depending on the price sensitive information," one official said.

He, however, said that such facilities were, in most of the cases, being misused by certain stock brokers, sometimes in collusion with certain concerned issuer companies.

Such unfair and unethical practices, he said, hinder the growth of an efficient, fair and transparent market, affecting the public investors at large. The official said that this should not be allowed to continue.

Also in a meeting of the 'Reform Committee' last month, the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) agreed to withdraw such facilities, he said.

Based on that meeting, the SEC board has decided that no free trading of shares will be allowed in case of any price sensitive information and also those companies which are not traded for 30 consecutive days.

The share price in the stock exchanges are currently regulated by a guideline formulated by a "Share Price Movement Regulating Committee" on March 25, 1998, comprising the SEC, DSE and CSE representatives.

The Share Price Movement Regulating Committee gudelines:

Standard price limits over the previous day's rates applicable for each market day	
Upto Tk 200	20 per cent but not exceeding Tk 35
Tk 201 to Tk 500	17.5 per cent but not exceeding Tk 75
Tk 501 to Tk 1000	15 per cent but not exceeding Tk 125
Tk 1001 to Tk 2000	12.5 per cent but not exceeding Tk 200
Tk 2001 to Tk 5000	10 per cent but not exceeding Tk 375
Tk 5001 and above	7.5 but not exceeding Tk 600

★ In case of new issues, free trade will be allowed for first five consecutive market days, and after that the prescribed limits will be applicable.

A picture taken on Friday of the headquarters of Dresdner Bank (L) and Commerzbank (R) in Frankfurt/Main. The third and fourth biggest banks in Germany, Dresdner Bank and Commerzbank, are planning a merger.

— AFP photo

Merger fever now grips Commerzbank, Dresdner Bank

FRANKFURT, June 16: Shares in both Commerzbank AG and Dresdner Bank AG were up Friday on media reports that said they were in advanced talks on a possible merger, reports AP.

Both banks declined to comment late Thursday on the speculation.

But Commerzbank is widely believed to be under pressure to find a cooperation or merger partner ever since Dutch investor group Rebon BV took a 17 per cent stake in it last month. Market-watchers say Dresdner is vulnerable too, since its planned merger with Deutsche Bank AG fell apart this spring.

Commerzbank shares were up 2.4 per cent and Dresdner 1.8 per cent in morning trading, outperforming the overall market in Frankfurt, which was up 0.5 per cent.

Commerzbank chairman Martin Kohlhaussen told Dow Jones Newswires in April that he'd be open to talks with Dresdner on a possible cooperation, saying it could be a "good match."

A source close to both banks told Dow Jones Thursday that the two banks had held preliminary discussions about the benefits of linking up part or all of their businesses in recent days.

The business daily Handelsblatt reported Friday that Kohlhaussen and Dresdner Bank chairman Bernd Fahrholz would be meeting Saturday in Frankfurt.

'Protectionist policy'

Foreign steel makers blast their US rivals

WASHINGTON, June 16: Foreign steel makers lashed out at their American rivals yesterday, releasing a study alleging that protectionist US trade policies have cost consumers up to $150 billion over the last 30 years, reports Reuters.

Major steel-producing nations like Japan, Brazil and South Korea have long complained about US efforts to stem the flow of cheap imports, but the Clinton administration says that measures were needed to protect US producers from steel dumped in the United States at below fair market value.

"Nobody is going to argue that the US market is not the most open market in the world, especially in steel," said US Commerce Under Secretary for International Trade Robert LaRussa, who called the study "totally ridiculous and absurd."

Written by lawyers for foreign producers and released by the American Institute for International Steel, the study claims that US steel makers have benefited from more than $21 billion in federal, state and local subsidies over 30 years.

Since the late 1960s, the study says, an assortment of US trade restraints and price quotas have created a "protected, overpriced US steel market" that has cost American consumers an alleged $90 billion to $150 billion.

"American consumers and taxpayers have paid a high price to protect and antiquated industry that refuses to modernise and compete fairly in the open global marketplace," said Horst Buelte, chairman of the Washington-based American Institute for International Steel, which represents importers and exporters.

Investors complain against bottlenecks to embassy in Tokyo

Japan investment in Bangladesh seen taking a tumble

The Bangladesh Embassy in Japan has expressed its concern that not only new investors will refrain from investing in Bangladesh but the existing Japanese entrepreneurs might also reconsider continuing their operations here, reports UNB.

The embassy in Tokyo said this in a report based on various complaints raised by the Japanese investors.

It noted with concern that foreign investment in the country may face a serious setback if the bottlenecks identified by the Japanese investors are not removed.

These include political instability, sense of insecurity, delayed procedures, non-implementation of reform programmes, lack of infrastructure, burglary, corruption, bureaucratic tangles, improper domestic investment and crisis over KAFCO.

The embassy has prepared the report incorporating observations of the Japanese investors in various countries, especially in Asia, as well as those who have already invested in Bangladesh.

The Japanese business community also identified various other bottlenecks to import from Bangladesh, which included lack of quality products, delayed shipment and non-fulfillment of commitments.

These problems were raised by the Japanese entrepreneurs in an investment conference, jointly organised by the Bangladesh embassy in Japan, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) and Japan-Bangladesh Joint Committee for Commercial and Economic Cooperation, in Tokyo last week.

"The report, in fact, is a compilation of observations of the Japanese about the country's investment climate," said Bangladesh delegation leader Abdul Haque, a director of the FBCCI.

Power failure, problems in the transportation sector and delay in providing adequate communication services are some other complaints from the Japanese investors, the report says.

Although investment-related reforms have been made on paper in Bangladesh, it said, in practice much still left to be done. "The speed of adjustment in Bangladesh has been noted slow by the Japanese investors in comparison with many neighbouring countries."

It said some other bottlenecks identified by the Japanese investors were traffic interruption, enforcement of declared policies delaying in licensing approvals and low standard of living environment.

As of March 2000, a total of 135 Japanese private-sector investors have registered investment proposal to the tune of 1,061 million US dollars, 8.8 per cent of the total foreign direct investment (FDI). The amount of implemented investment is 786 million dollars.

Bangladesh's labour costs, considered the lowest in the world, were the main consideration for Japanese investors to come to Bangladesh since early 90s.

But, according to the report, the Japanese investors how think the Bangladeshi workers' productivity is also low because of poor skill, low literacy, low nutritional levels, poor management and inefficient infrastructure and machinery.

Frequent interruptions in workdays due to hartal as well as labour and political unrest are also the negative factors for low foreign investment noted by the Japanese investors, the report mentioned.

"Political stability and security conditions are among the prime concerns for the flow of Japanese investments. Cheap labour is not enough and not considered by them as the only criterion for attracting foreign investment."

A young couple kisses in front of a soon-to-open boutique by a major international designer at one of Beijing's top fashion malls Friday. Within just the last few years Beijing has gone from having virtually no international designer labels or shops to now boasting shops by almost every major designer and label found in the world's international cities.

—AFP photo

Myanmar shuns ILO resolution over forced labour

Decision dubbed politically motivated

YANGON, June 16: The ruling military junta yesterday said it "totally rejects" the resolution of the International Labour Organisation (ILO) against the use of forced labour in Myanmar, dubbing the decision a "politically-motivated action by western nations," reports AFP.

"The resolution is unfair and unjust and the process flawed and Myanmar totally rejects the resolution," said a foreign ministry press release issued in the aftermath of the resolution passed at the 88th session of the ILO in Geneva on June 14.

In an unprecedented step, the ILO voted in a full plenary session Wednesday to call for diplomatic sanctions against the junta if conditions had not improved by November 30.

An ILO delegation visited Myanmar in May and warned the anthorities about the use of force labour. In its report published last week, the ILO called on Myanmar to adopt measures to ensure state authorities, especially the military, do not used forced labour.

"Myanmar wishes to reiterate that there are no practices of forced labour in the country and the necessary administrative and legislative measures are being implemented to prevent occurrences of forced labour," the press release said, adding the country "would never bow to political pressure."

"It is most regrettable that the resolution was adopted despite the goodwill and cooperation demonstrated by Myanmar," said the statement issued late Thursday.

The press release also said the move could set a precedent that would delay rather than hasten the emergence of democracy in development nations.

"Today Myanmar is singled out for censure — tomorrow it may be another developing country," it said, adding that such actions "could only impede the process of democratization."

"Myanmar would be resolutely implementing its chosen path of building a modern, developed and democratic society where property, rights and benefits will be extended to all strata of society," it said.

Pak central bank says IMF loan hinges on politics

KARACHI, June 16: Pakistan's central bank governor said yesterday political considerations of members of the International Monetary Fund's Executive Board were important for resumption of aid to the newly nuclear-capable country, reports Reuter.

Ishrat Hussain Governor of the State Bank of Pakistan told Reuters that the country has also drafted a contingency plan to survive if international support is not forthcoming.

"We are negotiating with the IMF but as you know and I know, I will not be telling you any secrets about what will be the reaction of the IMF Board.

"I can't predict because if they say you have to do nuclear non-proliferation or something, so I am not going to second guess them," he added.

Hussain said Pakistan has submitted an economic reform programme which was praised by officials of the Fund.

"Our programme is very strong. According to their (IMF) management and their mission it is a very good programme. But I will have to keep a contingency package of my own, one way or the other, with IMF or without IMF," he said but refused to give an details of the plan.

IMF suspended payment of tranches of a $1.56 billion loan to Pakistan since June last year saying the country was not doing enough to broaden the tax base, document the economic and resolve a tariff row with independent power producers (IPPs).

The military-led government of General Pervez Musharraf, has held several rounds of talks with the Fund since it seized power last October in a bloodless coup and hope that an IMF team will review the budget, set for Saturday, before taking Pakistan's funding request of its executive board for approval.

Hussain said the budget will address three out of four issues that formed the basis of suspension from IMF lending.

"Look there are four things... GST (general sales tax) on retail stage, GST on services, agricultural income tax and IDP... Four issues which have led to differences with the IMF. Three of them we are doing," he said.

Australia in new bid to end trade row with Philippines

SYDNEY, June 16: The Australian government is mounting a new bid to end a worsening political row with the Philippines over trade, says Reuters.

Australia's Trade Minister Mark Vaile, who sought to meet Philippine Agriculture Secretary Edgardo Angara in recent weeks but was rebuffed, has written to the Manila government in a new bid to defuse the matter, Australian officials said yesterday.

This follows a statement by Angara earlier this month that the Philippines would cut live cattle imports from Australia by 20 per cent over five years, from 250,000 head to 200,000 a year.

"With Australian live cattle exports to the Philippines presently worth around A$130 million (US$78 million) a year, this would cut the value of exports by about A$26 million a year."

The curb has been imposed in retaliation over unsuccessful attempts by the Philippines to speed access to Australia for its exports of bananas and pineapples.

These are seen by the Philippines as a key to it narrowing the gap between its imports from Australia of A$1.6 billion and its exports to Australia of A$409 million in 1999.

They are also a key to complexities in the present row, with some prominent Philippine groups being both major cattle importers and fruit exporters. Philippine decision-making in granting cattle import licences is unclear to Australian exporters, they say.

Greed for diamonds, drugs, coffee results in civil wars?

WASHINGTON, June 16: Greed for diamonds, drugs and coffee are more likely to result in bloody civil wars than political, religious or ethnic differences, a new study concluded yesterday, says Reuter.

The World Bank study found that while rebels may have strongly held political reasons to start conflict, the money gleaned from looting primary commodities is what makes guerillas financially viable.

"Diamonds are a guerilla's best friend," said Paul Collier, author of the study "Economic Causes of Civil Conflict and their Implications for Policy."

The report found that countries with little reliance on the exports of commodities, like coffee or diamonds, were relatively safe from internal conflict while nations that rely heavily on such exports are highly dangerous.

"Rebel groups need to meet a payroll without producing anything, so they prey on an economic activity that won't collapse under the weight of their predatory activities," Collier said.

Rebels in countries like Sierra Leone, Angola and the Democratic Republic of Congo rely on diamonds to pay for arms and supplies, fuelling bloody civil wars in all three nations.

Collier said conflicts typically occur in countries with weak governments, low incomes and poor economic growth. Low incomes mean governments have little tax income to spend on defence. But even with those conditions in place, Collier said, rebels need access to cash to finance a war.

For example, in the United States, the poorly financed Michigan Militia was unable to grow beyond a handful of members. Colombia's FARC on the other hand employs some 12,000 rebels thanks to the $700 million in cash it earns each year from drugs and kidnapping.

"In Colombia we started with left-wing rebels and right-wing rebels," Collier said of the situation there, "Now we have left-wing drug barons and right-wing drug barons."

During a war manufacturing and service activities move elsewhere. But because primary commodities are tied to the spot where they are, they become "lootable" in war situations.

Once rebels secure funding, they also need to become a cohesive unit, a goal normally achieved by recruiting from a single religious or ethnic group. Finally leaders need to foster a culture of grievance and hatred, Collier said.

Since 1990 there have been 39 conflicts large enough to result in at least 1,000 deaths annually. More than 4 million people have been killed in conflict since the fall of the Berlin Wall in 1989 with nine of every 10 dead civilians.

The World Bank study found that prevention of conflicts was helped by increasing aid to developing nations. The study found that the risk that the average developing nation will have a conflict in any given five-year period was 11.3 per cent.

Japan's Asahi Bank may quit alliance

TOKYO, June 16: Japan's Asahi Bank Ltd will quit a trillion dollar alliance which was set to create the world's third-biggest banking group, reports said yesterday, says AFP.

Asahi, a medium-ranking city bank, was holding an extraordinary board meeting to finalise the decision.

"The board meeting is currently being held, so we will inform the media as soon as any decision is made," said an Asahi Bank spokeswoman.

Sanwa Bank Ltd., Tokai Bank Ltd. and Ashai Bank announced in March they would launch a holding company to integrate their operations in 2001 with combined assets of 106.59 trillion yen (one trillion dollars).

Investors on the Tokyo Stock Exchange have hammered Sanwa Bank's share price, concerned over its decision to join hands with two weaker banks.

Trade in all three banks' shares was suspended on Thursday morning pending an announcement, exchange spokesman Nobutaka Takano.

Hearty demand for tech products

US industrial output surging

WASHINGTON, June 16: Hearty demand for high-technology products helped power US industrial output higher for a 17th straight month in May, the Federal Reserve said yesterday, though consumer goods production weakened, says Reuters.

Output by factories, mines and utilities was up 0.4 per cent last month after rising 0.7 per cent in both April and March.

Analysts said May's unexpected increase in output reflected a drive by businesses to add to production capacity while there were signs of fading consumer activity in lower production of new cars, appliances, furniture and home electronics.

The report dampened bond prices for fear it meant the economy might not be slowing enough to head off more interest-rate rises when the Fed's policymaking Federal Open Market Committee meets on June 27-28.

Inflation-sensitive 10-year US Treasury notes ended unchanged, yielding 6.05 per cent but the price of the 30-year bond shed 7/32 of a point. The bond's yield, which moves in the opposite direction of its price, rose to 5.92 per cent from Wednesday's close of 5.91 per cent.

Stock prices gained, with the Dow Jones industrial average adding 26.87 points to end at 10,714.82 while the high-tech oriented Nasdaq climbed 48.33 points to close at 3,845.74.

The Fed report showed definite easing in the rate of growth of manufacturing activity, which was up 0.3 per cent in May after much bigger gains of 0.6 per cent in April and 0.8 per cent in March. It was the smallest monthly gain in manufacturing activity since a matching 0.3 per cent rise last September.

The Fed report said the big automakers scaled back their annual assembly rates for new cars and trucks to 13.3 million in May from 13.4 million in April.

But the president of the Richmond Federal Reserve Bank, Alfred Broaddus, helped keep markets nervous by commenting that he still saw a need for higher US interest rates even though he saw a few signs of economic slowing.

"In order to prevent a reemergence of inflationary pressures and, in doing so, to sustain the expansion, US monetary policy must allow short-term interest rates to rise," he told the Austrian National Bank's annual economics conference in Vienna.

Production of all types of consumer goods fell by 0.1 per cent last month after rising 0.5 per cent in April. Earlier this week, the Commerce Department said sales by retail stores fell for a second straight month in May, the first time in nearly three years that there were two consecutive months of weaker retail business.

Businesses ran at 82.1 per cent of their maximum capacity during May. That was unchanged from April and remained at rates well below levels around 85 per cent which can arouse concern about production bottlenecks that could foster inflation.