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Japan PM seeks 'appropriate BOJ decision' on rate

TOKYO, July 14: Prime Minister Yoshiro Mori on Friday said he was confident Japan's central bank will make an "appropriate decision" when it meets next week to decide whether to end its pro-growth policy of keeping interest rates near zero, says AP.

His comment came amid speculation that the Bank of Japan's independent policy board may vote on Monday to start guiding up the rates it slashed early last year in an effort to jump-start the nation's sputtering economy.

The so-called zero-interest policy is hurting savers who rely on interest as a source of income and is blamed for encouraging struggling companies to borrow instead of restructure. But Mori's conservative government is concerned that a rate rise will pour cold water on consumer sentiment at a time the economy is showing signs of pulling out of its deepest slump in decades.

Japan is also under pressure from the United States and its other trading partners to do more to support global growth.

Mori alluded to those concerns on Friday in a rare comment on the Bank of Japan's monetary policy.

He told reporters higher interest rates would "affect stock prices and currencies in various ways" and said he thought that central bank's policy makers will "make an appropriate decision" in the light of global hopes for the Japanese economy. Dow Jones Newswires reported.

Proponents of raising interest rates can point to signs the world's second-largest economy is already on track toward recovery. Pumped up by record amounts of public works spending, gross domestic product increased 0.5 per cent in the fiscal year ended March 31 — the first time Japan has grown in three years.

UK urges IMF, WB to work together

LONDON, July 14: British Chancellor of the Exchequer Gordon Brown yesterday hit back at critics of the International Monetary Fund, saying there was no need for a clearer separation between its activities and those of its sister organisation the World Bank, says Reuters.

Speaking to the Royal Economics Society's annual conference, Brown said there was a clear role for both conditional IMF and World Bank programmes to help countries make the transition out of poverty.

"There are some who say there should be a clearer separation between the IMF and World Bank — that the IMF should focus only on emerging market countries; and that the World Bank should focus only on the poorest countries," he said. "I disagree."

Brown's comments put him at odds with the IMF's new managing director, Horst Koehler, who wants a more tightly defined role for the global lender.

Koehler, who took office in May, has acknowledged that the two institutions need to work "very closely together", but has said that "there must be a clear division of labour where each side knows which its core responsibilities are."

Philippines posts \$1.07b budget deficit in 6 months

MANILA, July 14: The Philippines posted a budget deficit of 47.6 billion pesos (& 1.07 billion) in the first six months of the year, sharply higher than the targeted 33.4 billion pesos (\$750 million), officials said Friday, reports AP.

The budget deficit is among the indicators closely watched by the International Monetary Fund under a two-year borrowing programme that gave the government access to \$1.4 billion in standby credit. The government is targeting a budget deficit target of 62.5 billion pesos (\$1.4 billion) for the entire year.

Finance Secretary Jose Pardo attributed the higher-than-expected budget deficit in the first six months to a 14 billion peso (\$315 million) shortfall in privatisation proceeds. The shortfall was partly due to the delayed sale of the government's 30 per cent stake in Philippine National Bank, which was supposed to generate at least 8.7 billion pesos (\$195 million) for the government in June.

The government has set a July 19 rebidding date for its PNB shares, but its floor price is expected to drop sharply after the banks' board of directors decided to reduce the par value of each share to 60 pesos from 100 pesos.

The government's revenues in the first six months of 2000 totaled 150.3 billion pesos (\$3.37 billion) for the period.

Free access of Caribbean, Sub-Saharan Africa nations to US

Bangladesh to face problems in RMG export: CPD study

By Rafiq Hasan

The recent changes in the US trade policy will affect garments export from Bangladesh to the US markets as it provided extra facilities to a number of Third World countries which are emerging as major competitors to Bangladesh's apparel products, according to an independent study.

"A zero-tariff and quota-free access for the apparel products of the Caribbean basin countries and Sub-Saharan Africa states will definitely pose a formidable challenge to Bangladesh in the near future," the study said.

The Centre for Policy Dialogue, a prominent think-tank of the country, conducted the study and submitted it to the ministry of commerce this month. The study was done under the leadership of CPD Executive Director Dr Debapriya Bhattacharya.

The US Congress and Senate recently passed an act named Trade and Development Act of 2000 (TDA 2000) allowing special trade benefit to a total of 72 countries.

The law comprises African growth and opportunity act covering 48 countries and the United States-Caribbean basin

Trade Partnership Act with 24 countries.

The law provided duty-free and quota-free access of textile and apparel products for the designated countries to the US markets and it would be effective for eight years from October 2000 to September 2008.

Evaluating the existing trends of apparel business the study observed that of the two groups, the Caribbean countries are more important because they are one of the major sources of apparel import by USA.

In 1999 alone, the Caribbean countries exported apparels valued at 8.92 billion US dollars to the US markets. Apparel export from the Dominican Republic, Honduras, El-Salvador and Guatemala was worth more than one billion dollars each in 1999. The figures were 2385.19 million, 2164.23 million, 1363.49 million and 1243.50 million dollars respectively during the year.

Bangladesh also exports more than one billion dollars worth of apparels to the US market every year. The figure rose to 1753.85 million dollars during the year 1999.

The study report noted that many of the SSA and CBI (Caribbean Basin) countries would acquire competitive edge in the US market within the context of a quota-free and duty-free regime.

However, the extent they would be able to utilise this opportunity would depend on their supply capacity.

The study reveals that there were a handful of CBI countries which compete with Bangladesh for the US markets in a number of apparel items of high export interest to Bangladesh.

Availability of a quota-free and duty-free regime will allow them to expand their apparel export to US markets which may lead to trade diversion in favour of the CBI countries in the short run from other sources including Bangladesh," the report said.

The report further observed that a detail impact study should be carried out as early as possible. The study should look at the price competitiveness issue subsequent to the TDA 2000. The supply and demand aspects also may be included in the proposed study, it said.



Finance Minister SAMS Kibria, Civil Aviation & Tourism, Housing and Public Works Minister, Engineer Mosharraf Hossain, Law, Justice and Parliamentary Affairs Minister Abdul Matin Kashru, Principal Secretary to Prime Minister Dr S A Samad, Governor of Bangladesh Bank Dr M Farash Uddin, Secretary in-Charge of Ministry of Law and Parliamentary Affairs, members of the Biman Board of Directors and concerned high officials attend the report presentation ceremony at Biman head office in the city Thursday. The report was presented by Citi Bank Group regarding Biman's on-going restructuring and commercialisation programme.

—Biman photo

Bid to earn Tk 300 cr additional revenue NBR to study foreign systems to introduce band-roll on cigarettes

The government is actively considering introducing band-roll on cigarettes, which is expected to earn an additional revenue income of Tk 200 to 300 crore annually, a senior official of the National Board of Revenue (NBR) said, reports BSS.

Finance Minister Shah AMS Kibria in his budget speech mentioned that the band-roll system would be introduced on cigarettes in the middle of the current fiscal year or a bit earlier in the greater interest of the country's revenue benefit. The official told BSS yesterday that a delegation led by a senior official of NBR would soon visit several European and North American countries to study the band-roll system, now in vogue in those countries.

The delegation comprising representatives of cigarette manufacturers association will visit Denmark, United Kingdom and the Quebec province in Canada.

The NBR official said evasion of VAT on cigarettes was ranging at present from Tk 100 crore to Tk 150 crore annually. Introduction of the band-roll system would prevent all cigarette manufacturers from taking unfair advantages of the market.

Present collection of VAT from cigarettes stands around Tk 1,200 crore, out of which Tk 900 crore is being paid by a multinational cigarette manufacturing company alone the largest player in the market in Bangladesh, he said and made it clear that any brand of cigarette

on sale in the market without band-roll after its introduction would be treated as contraband.

The NBR official further said that two per cent flat VAT rate on retail sale of all goods and items was expected to be introduced in four city corporation and first class municipal areas soon.

The flat VAT rate will be determined on the basis of a tripartite consultation between the VAT officials, Shop Owners and Representatives of Shop Owners Association, he said.

He said the NBR officials had already discussed the introduction of the flat VAT rate, being treated as presumptive tax, with the representatives of shop owners' association in these four city corporation areas.

Commerzbank, Dresdner tight-lipped on merger talks

FRANKFURT, July 14: Dresdner Bank DRSDN.DE and Commerzbank CBKG.DE declined comment today on a fresh wave of media speculation about the progress of the two banks' merger discussions, reports Reuters.

One banker with knowledge of the talks said the two Frankfurt neighbours were unlikely to come up with any announcement soon, with discussions set to continue over the weekend.

"There is no rush," the banker said, adding that discussions on the valuation of the two banks and what size stakes each should get in a combined institution remained the main sticking point.

Officials at the two banks declined to comment on a report in Friday's Frankfurt Allgemeine Zeitung that they would agree on a valuation range and proceed with talks before pinning down the exact share-swap ratio at a later stage.

The Frankfurter Allgemeine said Dresdner may need to sell some industrial stakes and buy back its own shares to pave the way to the link-up with Commerzbank CBKG.DE.

Uncertainties about government plans to cut taxes on the sale of industrial stakes has made it difficult to place a value on Dresdner's 11 billion euros and Commerzbank's 2.5 billion euros in holdings, the FAZ said.

A package of tax cuts that contains the proposal is poised for a cliffhanger vote in the upper house of parliament later on Friday.

Dresdner may sell off some of its stakes and pay a one-off dividend by spinning off the stakes into a separate holding company, whose shares would be distributed to current Dresdner shareholders.

The banks have said they plan to complete preliminary merger talks by the end of July.

Meanwhile the mass circulation Bild Zeitung, citing banking sources, said a larger-scale, European solution was also possible, involving the two German banks plus France's BNP Paribas BNP.PA, Switzerland's Credit Suisse CS.GZn.S and Spain's Banco Santander SAN.MC.

However, several analysts were sceptical about the report.

"It's a pretty ridiculous sounding story," one analyst at a major German financial house said. "They are having enough difficulties trying to put together two institutions."

To change this painful situation, the world needs to begin with children, assuring every one of the 130 million born each year, the best possible start in life, she adds.

Bellamy argue that "there is no question that the resources exist, but too little money is allotted for children's survival, growth and development, and too few people understand the implications for all societies of missed opportunities in early childhood."

Meanwhile, the UNICEF report says that the Nordic countries, besides having the lowest levels of child poverty in the industrialized world, are also

Dhaka to set up liaison office in Dubai to boost jute export

Brussels office to close within a couple of months

Bangladesh will set up a permanent liaison office in Dubai within a couple of months by closing its present office in Brussels for expanding jute and jute-goods business in the Middle East, reports UNB.

State Minister for Jute AK Faezul Huq disclosed the plan at a meeting with the prospective jute-goods buyers of the UAE at the Consulate General of Bangladesh on Wednesday.

The minister, leading an eight-member delegation, visited UAE from Tuesday to Thursday on way to his official visit to Cairo, Khartoum and New York.

"Bangladesh attaches much importance to Dubai in promoting or expanding export of jute and jute-goods due to its unique position as a commercial hub and re-export centre," the minister said.

The minister said present government had undertaken a number of measures in producing diversified products from jute and in balancing, modernising and replacing (BMR) the existing jute mills.

Following these measures, the jute mills of Bangladesh are now capable of producing high-quality jute goods with competitive prices, he said. So, the demand for Bangladeshi jute

goods on the world market has been growing steadily.

Although exports from Bangladesh to the UAE could not develop to an expected level in the past, the volume had sharply increased from 11.57 million US dollars in 1996-97 to 28.43 million US dollar in 1997-98 with a growth rate of 145 per cent.

During the period from July 1998 to June 1999, Bangladesh's exports to the UAE touched 19.768 million dollar mark, but he said it could have been more if the country was not affected by devastating floods.

However, during the last nine months to March, exports from Bangladesh to the UAE stood at 22.789 million US dollars against the target of 21.35 million.

The minister said though the trade balance during recent years had been heavily in favour of the UAE due to bulk import of crude oil and some other merchandise by Bangladesh from the emirates, Dhaka would explore the possibilities of the UAE as a potential export market.

During the meeting, the buyers drew attention of the state minister to various issues, including higher prices of

Bangladeshi jute goods compared to other producing countries, delays in getting response from the exporters on prices and other related information and non-availability of direct shipping lines between the two countries and delays in shipment.

US Senate panel passes dollarisation bill

WASHINGTON, July 14: The Senate Banking panel yesterday passed a bill that would make it easier for emerging economies to adopt the US dollar as their national currency, but said backers should try to resolve remaining differences with the administration to ward off a Presidential veto, says Reuters.

But in a letter to the bill's author, Treasury Secretary Lawrence Summers questioned if the "time is ripe" for a dollarisation bill and said the Clinton administration could not support it "at this time."

The panel passed the International Monetary Stability act, which would allow the US Treasury Department to encourage countries to adopt the dollar by offering a rebate of 85 per cent of the resulting increase in US seigniorage.

Seigniorage is the income a country receives when the value of its currency exceeds the cost of producing it. Countries normally make a profit from issuing their national currency, but a dollarising country would be faced with the expense of buying dollars to swap for its national currency.

"When you tie your future to the dollar, you buy into a good future," Senate Banking Chairman Phil Gramm, a Texas Republican, said in support of the bill.

But Summers cautioned that passage of the bill could put the United States in an awkward situation.

"We do not believe that there is a compelling reason for the United States at this time to establish a framework to permit us to share seigniorage," Summers said in a letter to Sen. Connie Mack, the Florida Republican who crafted the legislation.

"Such a framework would raise a number of complex political economic, foreign policy issues, and US budget issues," Summers said. But he added that "responsible dollarisation may be a sensible decision for a government to make."

Mack said he had spoken with Summers Thursday morning and vowed to work out the differences with the administration.

The bill must pass both the full Senate and the House and then be signed by President Bill Clinton before becoming law.

US House approves foreign aid bill, debt relief

WASHINGTON, July 14: The US House of Representatives approved a \$13.8 billion foreign aid bill, bowing to pressure from the White House to provide most of the money President Bill Clinton has requested to alleviate the crippling debt burdens of some of world's poorest nations, reports Reuters.

In a 239-185 vote, the House approved the bill on Thursday after agreeing to increase to \$225 million the money available to ease or forgive the debts of 40 hopelessly indebted countries, from just \$82 million allocated earlier.

The move brought Congress closer to approving a total of \$472 million requested by the White House to meet US obligations this year and next under the Heavily Indebted Poor Countries (HIPC) initiative among wealthy governments to

help struggling impoverished nations like Mozambique and Bolivia.

"This is an enormously positive development and we look forward to working with Congress to put together a package that will allow debt relief to go forward," a Clinton administration official said immediately after the vote.

"Without American leadership, debt relief will never become a reality," said Representative Maxine Waters, a California Democrat who proposed the measure, noting that many of the debts grew from loans to corrupt rulers who were no longer in power.

"This is a huge victory for nations around the world struggling to break out of the cycle of extreme poverty," Democratic Representative Nita

Lowe of New York.

Legislation approved last year by Congress failed to provide money for the United States to pay its share of the HIPC debt costs in 2000.

Republicans argued they were constrained by budget caps in the money they could earmark to forgive debts. The bill was \$1.4 billion less in total than Clinton had requested.

"I wish we had more, but we don't have more," said Representative Sonny Callahan of Alabama, the chairman of the House subcommittee that appropriates foreign assistance.

"This is the best we can do. I think the distributions we have made are fair and equitable."

Israel is the biggest recipient of US aid and will receive \$2.8 billion in the bill, which also provides funds for multinational organisations.

French govt spending to rise next yr

PARIS, July 14: French government spending will rise 1.4 per cent next year in line with Paris' European pledges, with some ministries forced to go short to free up more cash for environment, education, justice and the interior ministry.

The rise in government expenditure will amount to 0.3 per cent once inflation, forecast at 1.1 per cent is stripped out, government officials said.

As part of the euro zone's so-called stability pact, Paris has already pledged to limit increases, beyond inflation to a total of 1 per cent over the next three years, or 0.3 per cent per year.

22.4 pc of US children live in poverty: UNICEF

UNITED NATIONS, July 14: The United States, the world's richest nation, has one of the highest rates of children living in poverty amidst plenty: one in every five, reports IPS.

The UN Children's Fund (UNICEF) said Wednesday that more than one in five children in the United States (about 22.4 per cent) are poor compared with one in 38 in Sweden (2.6 per cent) and one in 20 in Denmark (5.1 per cent).

In its annual study, the "Progress of Nations, 2000," released here, UNICEF says that children were best cared for in the Nordic countries: Denmark, Finland, Iceland, Norway and Sweden. The low levels of

poverty in these five countries, UNICEF points out, reflect the high levels of investment in family policies.

The study also says that one child out of six — amounting to about 47 million children — lives in poverty in the world's 23 rich nations.

The 23 countries are all members of the Paris-based Organisation for Economic Co-operation and Development (OECD) which includes both industrialised as well as industrialising countries that meet certain criteria: open market economy, democratic pluralism and respect for human rights.

Of the OECD members, Mexico has the largest number of

children — more than one in four, or 26.5 per cent, Britain (19.8 per cent) and Turkey (19.7 per cent).

"The high rates of child poverty in rich countries underscore the need for all nations — not just poor ones — to identify the pockets of poverty in their countries and take measures to protect the children who are affected," UNICEF notes.

UNICEF Executive Director Carol Bellamy says that poverty countries to enslave huge populations, denying 1.2 billion people — 600 million of them children aged one to five years — good health and produc-

the most generous donors.

Of the five major donors on a per capita basis, three were Nordics, namely Denmark, Norway and Sweden, the other two being the Netherlands and Luxembourg.

In 1970, the UN General Assembly set a target of 0.7 per cent of Gross National Product (GNP) as the quantum of official development assistance (ODA) that each of the rich countries was expected to provide developing nations. But so far, only four countries — Denmark, the Netherlands, Norway and Sweden — have met or exceeded the ODA target.

The two donor countries with the highest levels of child

poverty, namely Italy and the United States, contribute the least aid when considered as a percentage of gross national product (GNP).

On a per capita basis, Denmark provides about 323 dollars in aid per person, Norway 299 dollars, Luxembourg 265 dollars, the Netherlands 194 dollars and Sweden 177 dollars.

At the bottom of the table are the United States with 32 dollars in aid per person, Italy 40 dollars, Austria 56 dollars, Spain 35 dollars and Portugal 26 dollars. Total ODA has averaged around 50-55 billion dollars annually, although it reached a high of 61 billion dollars in 1992.