

ECB raises key interest rate

Move to cool inflation, keep consumer prices in check

FRANKFURT (Germany), Sept 1: The European Central Bank raised a key interest rate Thursday by a quarter-point to 4.5 per cent - the fifth hike this year - in an effort to cool inflation and keep consumer prices from rising, reports AP.

The announcement came after a meeting of the ECB's governing board, the officials who set interest rate policies for the 11 countries using Europe's common currency, the euro.

The quarter-point increase follows a June 8 rate hike when the central bank surprised markets by raising its refinancing rate by a half percentage point to 4.25 per cent. The refinancing rate is the interest the ECB charges commercial banks for buying back short-term securities when banks need cash.

Economists mostly expected the rate hike as the embattled euro sank to a three-month low against the dollar Wednesday, fanning inflation fears in Europe and putting additional pressure on the European Central Bank to hike interest rates soon.

The protracted depreciation

of the exchange rate of the euro and the renewed rise in oil prices have increasingly put upward pressure on import prices and consumer prices in the euro area, the bank said in a statement released after the rate decision.

A rate hike could have helped prop up the euro, but traders largely factored it into their plans and the currency stayed mostly flat at 89.42 cents against the dollar after the decision. European stock markets barely budged - bumping up just slightly in relief that the rate increase wasn't higher.

"It's the double whammy and it's really a worry for the ECB," said Stefan Schneider, chief euro economist with Deutsche Bank. "People were expecting inflation to be a short-term phenomenon, but now it's plateaued at a much higher level than we had previously thought."

That's a problem for the Frankfurt-based central bank, which manipulates its main interest rate to keep inflation under a self-imposed 2 per cent ceiling in the 11 European

Union countries using the common currency.

Inflation for the euro zone hit 2.4 per cent last month, and the lagging euro only fuels higher prices by making it more expensive to buy imports.

The currency plunged to 88.75 cents in early Wednesday trading, its lowest level in three months and just a hair above its record low of 88.45 cents.

Analysts tend to blame the weak euro on generally strong economic figures from the United States, which undermined confidence in Europe.

"It's still the same old question," said Petra Koehler, an economist with Dresdner Bank. "As long as the US economy is so strong, the good news in the euro area is not really recognised."

Economists were split on how high the rate hike might go, with some saying a half-point increase would have been too much.

While hiking rates tends to cool inflation and boost the local currency, it can also slow down an economy by making it more expensive for businesses

to borrow money.

But over the summer, Europe's economy has been gradually heating up, with Germany announcing Tuesday a robust annualised growth pace of 3.3 per cent for the first six months of the year.

That's still behind the US rate of 5.3 per cent, but not strong enough to resist the slowing impact of another interest rate hike, Koehler said.

Just last week, the ECB's counterpart in the United States, the Federal Reserve, passed on a chance to raise interest rates. The hike would have been the seventh since last summer - all part of an effort to cool down the US economy and curb inflationary pressures by putting the brakes on unsustainable growth.

But in Europe, the trend is toward tightening.

Denmark, one of the four European Union countries not using the euro, raised its interest rates Tuesday. Poland, which sits outside the European Union, made a similar hike Wednesday.



An employee from Japan's electronics giant Sony winds up the crank on Sony's portable radio ICF-B200 to generate electric power to charge a built-in rechargeable battery, at the company's head office in Tokyo yesterday. One-minute hand-cranked electric power offers enough power for a 30-minute radio programme during emergency. The ICF-B200 is now on sale in Japan as an anti-disaster product with a price of 12,000 yen (USD\$ 112.00).

- AFP photo

Iran demands end to US sanctions

TEHRAN, Sept 1: Iran's parliament speaker has met representatives of Chevron Corp, Conoco Inc and other US oil firms and demanded an end to US sanctions against Tehran, the official Iranian news agency IRNA reported today, says Reuters.

"America should lift them (sanctions) and end its hostile behaviour against Iran," IRNA quoted parliament speaker Mehdi Karubi as saying at the meeting on Thursday.

The meeting was held in New York where Karubi, an ally of moderate president Mohammad Khatami, is visiting to attend a world gathering of parliamentary chiefs at the United Nations.

"We have no problems with the American people but the US Congress and government should show their goodwill," Karubi said.

The US oil company representatives told Karubi that "public opinion polls have shown that 77 per cent of the people and almost all foreign policy experts in America have expressed hope that the US sanctions against Iran would be lifted," IRNA said.

US oil companies have been denied the chance to invest in Iran's oil and gas reserves since President Bill Clinton enacted a unilateral US embargo five years ago.

DHL opens new service centre in Nagano prefecture

DHL Japan, Inc. the Japanese arm of DHL Worldwide Express, has opened a new service centre in Matsumoto, Nagano prefecture, to cater to the surging demand for international air express service from the neighbourhood where production of high-tech and precision machinery is concentrated, says a press release.

With the opening of the new Matsumoto Service Centre, customers in 30 municipalities in Nagano, which make up the major industrial areas of the prefecture, would be able to enjoy faster and customised express logistics services.

Transit times of shipments for overseas destinations will be improved by up to one day. Shipments for Hong Kong, New York and London, for example, will be delivered on the next business day.

The 1,900 m² Matsumoto Service Centre also features the unique "drive-in" system whereby loaded delivery vehicles drive directly into the service centre, from there shipments are processed immediately without delay. This greatly boosts the efficiency and safety of transport operations and protects precious shipments from rain and snow.

The opening of Matsumoto Service Centre is the latest of DHL's US\$125 million (JPY15 billion) expansion programme to boost infrastructure network.



Mostafa Golam Quddus, Chairman of Rupali Insurance Company Limited, addresses the company's 12th annual general meeting. Directors, consultants, Managing Director P.K. Roy are also seen in the picture.

IMF launches programme to disclose financing sources

WASHINGTON, Sept 1: The International Monetary Fund yesterday, departed from longstanding practice and disclosed the sources of its financing, identifying those countries that contributed to its resources from March to May this year, says AFP.

The fact that we are doing so is indicative of the Fund's continuing efforts to enhance public understanding of its financial operations... and to do so by increasing the transparency of its financial activities," IMF deputy treasurer Barry Newman told a press briefing here.

The IMF executive board in February approved a plan to publish statements of its quarterly financial transactions, with a three-month lag, starting

in August 2000.

The information was released here Thursday in documents made available to journalists and on the IMF web site.

The list included the wealthy industrialised nations in the Group of Seven: Britain, Canada, France, Germany, Italy, Japan and the United States, as well as oil-rich Saudi Arabia and Kuwait.

Among other contributors in the period were Botswana, China, Ireland, Portugal and Spain.

At the start of the reporting period, the IMF's available resources amounted to about 139.2 billion dollars.

Between March and May, the IMF extended credits and incurred expenses totalling 3,044 billion dollars and took in

roughly 10.9 billion dollars in repayments and other receipts, leaving IMF available resources at the end of May at some 147 billion dollars.

By way of comparison, the IMF at the end of 1998 - after a massive outflow of credits to confront a global financial crisis - had available resources of only 72.4 billion dollars.

Newman said repayments in the latest period were particularly large.

The Fund's liquidity position has been improving because loans have been repaid as the world's economy has improved," he said, adding that the end-of-May figure indicates that the Fund is well-positioned to deal with any problem that might surface in the future.



Tapan Kanti Sarkar, Executive Director, of Flora Systems Limited, delivers his key-note speech at a seminar on "e-Commerce Perspective and Technology" organised by ICAB at its auditorium recently.

- Flora photo

Clinton vetoes bill to repeal estate tax

WASHINGTON, Sept 1: President Bill Clinton yesterday vetoed a Republican-backed bill to repeal the estate tax, saying it would shower money on the rich and undermine the fiscal discipline that has produced the US economic boom, says Reuters.

Stepping into an election-year battle over the \$2 trillion budget surplus projected over the next decade and whether to use some of it to cut taxes, Clinton accused the Republicans of a massive giveaway to the richest two per cent of the nation.

Republicans, who often refer to the estate tax as the "death tax," shot back by saying the veto would hurt the owners of small business and family farms and they vowed to try to muster the two-thirds majority needed to override the veto.

At issue is the up to 55 per cent tax that currently applies to estates worth more than \$675,000, an exemption that under present law is scheduled to gradually rise to \$1 million.

The bill, which attracted some Democratic support, would have phased out gift and estate taxes over 10 years. To dramatise its effect on family farms, which sometimes must be broken up and sold to pay estate taxes, the Republicans had a farmer deliver it to the White House last week in his tractor.

This bill is wrong. It is wrong on grounds of fairness. It is wrong on grounds of fiscal responsibility," Clinton said after he vetoed the legislation in a White House ceremony, adding that the series of Republican-sponsored tax cuts "would take us back to the bad

old days of deficits, high interest rates and having no money to invest in our common future."

Clinton said that the bill would help the richest two per cent of the country, applying to roughly 54,000 estates that would receive an average tax cut of \$800,000. He said more than half of the benefits would be showered on just 3,000 estates, which would have gotten an average tax cut of \$7 million.

"So over half the benefit of that bill that came down here on a tractor goes to 3,000 people," Clinton said. "And I'll bet you not a single one of them ever drove a tractor."

The Senate on July 14 voted 59-39 for the bill, short of the two-thirds majority needed to override a veto, while the House of Representatives passed an

identical bill in June by 279-136, with 65 Democrats joining the Republican majority.

The White House says repeal of the estate tax would cost the treasury \$105 billion during the phase-out period and \$750 billion in the decade after that. Democratic alternatives aimed to target the tax relief to family farms and small businesses.

Republicans, hoping to use the veto as an issue in the Nov 7 election, issued a blizzard of statements criticising the veto and arguing the Democratic White House is unwilling to return money to taxpayers even in an era of budget surpluses.

"Apparently, even death can't protect you from the Clinton-Gore administration's insatiable desire for higher taxes," said Senate Majority Leader Trent Lott.

Rupali Insurance declares 15 pc dividend

Rupali Insurance Company Limited has declared a 15 per cent dividend for the shareholders, says a press release.

The dividend was approved at the 12th Annual General Meeting of the company held at a city hotel on Thursday.

Mostafa Golam Quddus, Chairman of the board of directors of the company, presided over the meeting.

It was reported that the company earned a pre-tax profit of Tk. 20.64 million of which Tk. 12.64 million was transferred to reserve fund and Tk. 2.50 million allocated for income tax.

Directors Kazi Maniruzzaman, Junaid Ali Mian, Fazlulnassir, MG Haider, Aftab Ahmed, Consultants M. Azizul Huq and Golam Mustafa Managing Director PK Roy and other senior executives of the company were present at the meeting.

Shareholders Abdul Jabbar Hawlader, Syed Liakat Ali, AKM Shamsul Alam, Ruhul Amin, Md. Iqbal, Waliul Bari Chowdhury and Zahid participated in the discussion.

Saboteurs close down Aussie bank's online operations

SYDNEY, Sept 1: Computer saboteurs closed down a major bank's online banking operations this week with the first so-called "denial of service" attack on a major Australian Web site, says AP.

The St George Bank moved Friday to reassure its 120,000 online customers their money was safe despite the sustained attack that began Monday and was continuing Friday.

"This attack continues but I do need to stress that security has not been breached in any way," St George spokesman Adam Cooke said.

He said police and bank staff were well along the road to finding the source of the attack, but would not elaborate.

The attack works by using other computers to bombard services with requests, overloading them and preventing genuine customers from accessing the site.

Similar attacks earlier this year in the United States temporarily shut down the Web sites of search engine Yahoo!, online news service CNN.com and Internet store Amazon.com.

Seminar on e-commerce held at ICAB

A seminar on "e-Commerce Perspective and Technology" was held at ICAB Auditorium recently, says a press release.

The key-note paper and multimedia presentation was made by noted e-commerce specialist Tapan Kanti Sarkar, Executive Director of Flora Systems Limited.

During the presentation, he pointed out various opportunities for Bangladesh investors in this area. He also spoke on different aspects and technology of e-commerce.

The participants also took part in a discussion.

Syria to issue law on banking secrecy soon

DAMASCUS, Sept 1: Syria will soon issue a law on banking secrecy, Economy and Foreign Trade Minister Mohammed Imadi said, reports Reuters.

"We will take the necessary action to issue a law on the banking secrecy soon and continue to work to improve the investment climate in Syria," he said in a speech at the opening of the Damascus International Trade Fair.

Banks in Syria, which were nationalised when the ruling Arab Socialist Baath Party took power in 1968, are all owned, operated and managed by the government.

Monthly Currency Roundup

Bangladesh Taka was devalued by six per cent (three taka) on 10th of August. Bangladesh Bank devalued the currency to BDT 53.85/54.15 against the US Dollar, effective from August 12, 2000.

This has been the largest devaluation in the history of Bangladesh. Last devaluation took place on November 30, 1999. At the end of the working day devaluation took the market players by surprise.

After the depreciation of Taka the market took some time to adjust to the new rates and as a result trading in USD/BDT was sluggish. There were a few government holidays and opposition called strikes during August. Market activities were a bit subdued by these factors too.

Demand for Dollar was steady and rangebound throughout the month. The demand for Dollar was moderate in the corporate segment as most of the customers were hedged before depreciation of Taka took place.

As a result, demand for Dollar in spot was slightly moderate. In addition to these, commodity trading and ship-breaking, which make up a significant portion of the Dollar demand was a little sluggish.

The corporate customers were shy to hedge their foreign exchange exposure as they do not apprehend another depreciation of Taka again very soon. However, the market traded heavily in other currencies.

Although difference between official USD/BDT rates and informal market rates was expected to narrow down after the depreciation, there still remains significant variance between the two rates.

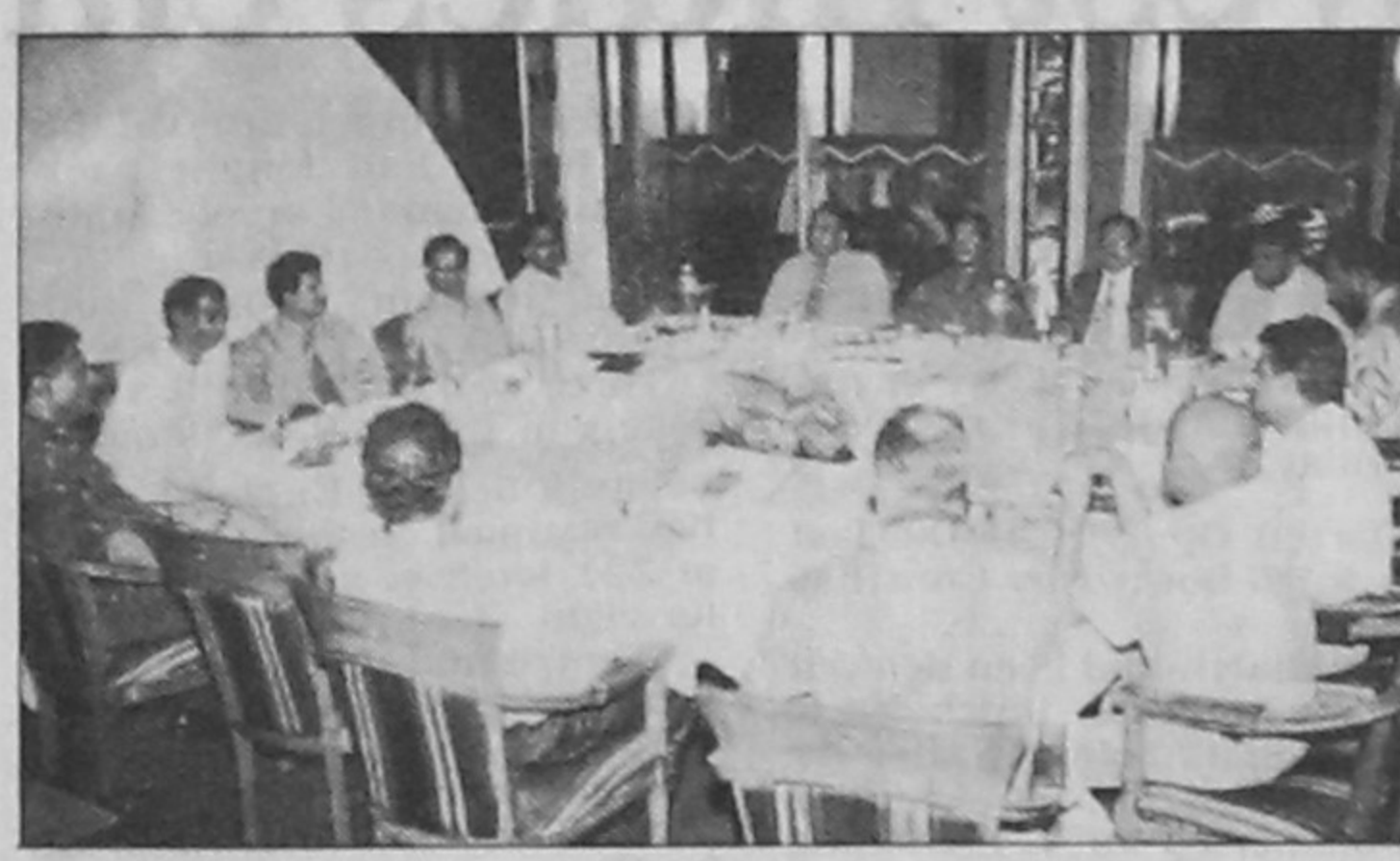
In the informal market, Dollar is trading above BDT 57 level. Many of the market players opined that this prevalence difference is encouraging the wage earners to use the informal market for the inward remittances. As a result, inflow of Dollar in the banking channel may be affected.

Last week, money market maintained its steady level of activities. Call money was traded in a narrow range. There was ample liquidity in the market and the lenders outnumbered the borrowers. Throughout the week call money rate fluctuated between 5.5 to 6.25 per cent. The average call rate closed at 5.75 per cent.



Modern Dyeing opened a sales and display centre at Chadni Chawk AC Market in the city yesterday.

- Modern Dyeing photo



Picture shows the statutory meeting of Agrani Insurance Company Limited held at a city hotel late last month. Mustafizur Rahman, Chairman of the company, presided over the meeting. Zaker Ahmed, Vice-Chairman, Mir Nasir Hossain, Chief Advisor, and Razaul Karim, Managing Director, along with other members of the Board of the Directors and shareholders were present on the occasion. Golam Kibria (FCA), Auditor of the company, and company secretary also attended.

- Agrani Ins photo

Indonesia's inflation creeps up to 16 pc

JAKARTA, Sept 1: Indonesia's state statistics bureau released figures today showing inflation had crept up to 6.11 per cent in August year-on-year, and predicted additional inflationary pressure over the next two months, reports Reuters.

Analysts said the figure was slightly above expectations but were mixed on whether it would continue to climb.

Economist Song Seng Wun of GK Goh Research in Singapore said he expected year-on-year inflation to reach 10 per cent in December due to religious festivals and the weak rupiah.

"I still expect inflation to pick up in the coming months due to factors like the weak rupiah, planned hikes in the

transportation tariff and fuel prices and the coming festive months which would be an added factor to an expected increase in inflation," he said.

I still expect year-on-year inflation in December to reach slightly over ten per cent."

But another analyst, who declined to be named, did not believe there was an accelerating inflation trend.

"I'm not overly concerned, we're not going to be hitting double digits anytime soon, in fact I think it will level out," he said.

Indonesia has managed to largely bring inflation under control since it surged above an annual 80 per cent in 1998 at the height of the country's economic crisis.

Business in Brief

Japan's auto exports up

TOKYO: Japan's auto exports rose 6.3 per cent in July from year ago, boosted by continued brisk sales in the United States and Asia.

A total of 395,370 cars, trucks and buses were exported from Japan last month, marking the fourth consecutive month of on-year gains, the Japan Automobile Manufacturers Association said Thursday.

The data were in line with expectations, coming on the heels of healthy automobile export figures released earlier this week from Japan's top five automakers.

In July, auto exports to the US market rose 7.0 per cent to 140,228 vehicles from the same month last year, while exports to the rest of Asia totaled 39,286, up 53.6 per cent.

Shipments to the European Union edged up 1.2 per cent to 93,248. Exports to Latin America surged 24.9 per cent to 29,386, while shipments to Australia and other countries in Oceania totalled 35,358, up 9.1 per cent.

Sales of automobiles account for nearly 15 per cent of Japan's total export earnings.

Macau for S'pore investment

SINGAPORE: Macau's chief executive on Thursday urged Singaporean businesses to invest in the former Portuguese colony, saying conditions were unchanged despite the territory's handover to China last year.

Ho Hau Wah said Macau could particularly benefit from Singaporean businesses specialised in information technology. Macau had a lot to learn from IT-related industries, he said.

"We are learning from Singapore, starting from scratch," He told a gathering of business people at the Singapore Chinese Chamber of Commerce.

Macau returned to Chinese sovereignty last December. Like the now Chinese-ruled former British colony of Hong Kong, it has greater freedoms than the rest of China.

Macau "enjoys a high degree of autonomy," its existing capitalist system will remain intact (and it will continue) to pursue a policy of free enterprise and free trade," He said.

He said investors would benefit from a stable financial environment, as well as low tax rates and property prices.

Maiden flight of Virgin Blue late

BRISBANE: Australia's Virgin Blue, Australia's newest discount airline and owned by British tycoon Richard Branson, took to the skies for its maiden flight Thursday - 25 minutes late.

The flight from Brisbane to Sydney was held up when a warning light showed that one of the Boeing 737's doors had not been properly closed.

Virgin Blue entered the domestic airline market in the midst of a price war it helped to spark.

Together with rival new carrier Impulse, Virgin is taking on established airlines Qantas and Ansett in a round of fare slashing.

Virgin Blue will start four return flights a day between Sydney and Brisbane on Friday.

In September, Virgin Blue is offering 48 dollar (US \$27) one-way fares between Sydney and Brisbane and a 99 dollar (US \$56) one-way fare between Brisbane and Melbourne.

Impulse sparked the price war a few weeks ago by offering a limited number of Sydney-Melbourne fares at 66 dollars (US \$38) one way and a 33 dollar (US \$19) Sydney-Brisbane fare.

Both fares were immediately matched by Qantas and Ansett.

NZ-Australia MOU on business law

WELLINGTON: Near neighbours New Zealand and Australia agreed Thursday to further integrate business laws to cut the cost of trade across the Tasman Sea.

The two countries signed a memorandum of understanding on business law coordination. New Zealand Commerce Minister Paul Swain said in a statement.

Australian Trade Minister Mark Vaile hailed it as a "significant advance in Australia-New Zealand economic integration and the elimination of trans-Tasman trade barriers."

Australian Financial Services and Regulation Minister Joe Hockey said that, ideally, New Zealand and Australian companies should have to comply with only one set of rules and deal with only one regulator.

Swain warned integration would take time, as decisions on which laws to integrate would be taken case-by-case.

New chief of Mazda-N America

TOKYO: Mazda Motor Corp said Thursday it has appointed Charles Hughes new president of its North American Operations covering the United States and Canada.

Hughes, 55, from Pleasantville, New York, is replacing Mazda's Richard Beattie, who was named Ford Motor Co vice president, Mazda said in a statement.

Ford owns 33.4 per cent of Mazda, Japan's fifth-largest automaker.

- AP reports