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The Daily Star BUSINESS

DHAKA, FRIDAY, OCTOBER 6, 2000

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UP to withdraw levy on rice export to Bangladesh

NEW DELHI, Oct 5: Indian state of Uttar Pradesh will free from levy all varieties of rice to export mainly to Bangladesh and Nepal for the next five years, says UNB.

In a revised rice policy, the UP government has decided to provide the same facilities to coarse rice meant for export as was so far available only for Basmati variety.

UP is a traditional exporter of Basmati to many countries. The state cabinet in a meeting on Wednesday observed a market is available for the export of other varieties to Nepal and Bangladesh.

The government has now decided to export non-Basmati varieties also, though such export does not bring in convertible currency.

The provision of levying on rice is 4.5 per cent tax of which 2 per cent in the form of trade tax and 2.5 per cent as "mandi" tax. With the new decision, exported rice would be free from these taxes.

For UP, the largest state in India, the paddy production this year was estimated to be to the tune of 21.3 million tonnes as against 19.36 million tonnes last year.

Corresponding rice production is likely to reach the level of 14.2 million tonnes as against last year's production of 12.9 million tonnes in UP where wheat is the main food.

Visiting Danida board meets Kibria

The visiting Board of Danish Development Assistance (DANIDA) led by its chairman Holger Berni Hansen yesterday met with Finance Minister S A M S Kibria at his office, says UNB.

They discussed matters of mutual interest with special reference to Danish development assistance to Bangladesh.

The Finance Minister lauded the contribution of DANIDA in the development of Bangladesh. He gave a brief account of basic policy of the government and the progress that has been achieved in different fields.

The minister also informed the Board about present status of reform programmes and privatisation pace of state owned enterprises.

"Present government is fully committed to democratic system, peace and socio-economic development of the country," he added.

He said a lot of progress has been achieved in social sector adding that the rate of population control has come down to 1.5 per cent, enrolment at primary school is about 90 per cent, facilities in education and health increased.

The DANIDA Board lauded the government for its commitment to democracy and peace, empowerment of women and also for significant progress achieved in different fields.

ERD Secretary Dr Mashur Rahman and Danish Ambassador to Bangladesh Finn Thilsted were present on the occasion, said an official handout.

FM favours joint public-private sector move for development

Foreign Minister Abdus Samad Azad has advocated a coordinated effort by private and public sectors to carry out economic diplomacy for the development of the country, says BSS.

"Private sector should coordinate with the Public sector in carrying out economic diplomacy initiated by the present government," Azad told a delegation of Bangladesh Federation of Chambers of Commerce and Industry (FBCCI) yesterday.

Led by FBCCI president Abdul Awal Minto, the 10-member delegation who met the Foreign Minister at his office discussed different aspects of economic activities, a PID handout said.

Azad told the FBCCI members that the government was creating congenial environment for economic development on the one hand and encouraging the private sectors to play their role on the other.

FBCCI President Minto informed the Foreign Minister of their recent visits to Bhutan and India State of Sikkim.

The business leaders urged the government to set up visa offices in Shillong in Meghalaya and Shillong in Assam, impress upon India to issue multiple visa entry facility and take other measures to bring balance in business. They also suggested introduction of a road business transaction with China via Myanmar.

Senior officials of the Ministry of Foreign Affairs were present.

Action sought against dividend dodgers

Low securities yields make market unattractive, seminar told

Star Business Report

A member of the Parliamentary Standing Committee on Finance Ministry yesterday urged the Securities and Exchange Commission (SEC) to take action against the listed companies which do not pay dividends to their investors.

Committee member AHM Mustafa Kamal, while speaking at a Dhaka Chamber of Commerce and Industry (DCCI) seminar on "Capital market development in Bangladesh: Problems and Prospects", said that most listed company sponsors treat the firms as their family concerns.

"They do not hold annual general meetings (AGMs) on a regular basis, nor do they pay dividends," Kamal said.

He also said that the SEC should formulate rules to allow general investors' representation in the listed company boards.

If the companies fail to declare dividends, then the SEC should revoke the merger and acquisition law to integrate

these sick companies with good ones.

Dr Mahmood Osman Inam, Associate Professor of the Department of Finance and Banking, Dhaka University, presented a keynote paper while Convenor of the DCCI Standing Committee on capital market development and privatisation AZM Nazimuddin gave an overview of the country's capital market.

Speaking on the occasion, DCCI President Atif ul Islam said the depression in the market reflects investors' lack of confidence.

He observed that despite a number of incentives offered by government, there is still a dearth of investment. "This might be due to lack of investor faith in the credibility and continuity of this policy regime."

"People would not respond to new policies unless they strictly believe that reforms will continue for quite some time. So, our prime objective would

be to restore investors' confidence," the DCCI president said.

Managing Director of Bangladesh National Securities Depository Ltd (BNSDL) AGM Shamsul Kamil stressed the need for setting up a depository in the shortest possible time.

Financial Express Editor Moazzem Hossain also identified lack of investor confidence as the main reason for market depression. He also called for introduction of a bond market to expand the base of the securities market.

DSE Senior Vice Chairman Onu Jaigirdar said that the capital market was a risky place and investors should invest here with full knowledge of the risk factors.

The DSE vice-chairman also advocated for "netting settlement system" as this increases the trade volume, enabling brokers to earn commission. "So when the brokers earn extra commission, they will no doubt show their interest in market

research investment," Jaigirdar said.

Asset and Investment Management Services (AIMS) of Bangladesh Managing Director Yawer Sayeed said the investors are shy because of poor securities profits.

He said that a total of 44 companies held AGMs since June this year. Of these, 54 per cent failed to declare any dividend. "Seventy per cent of these companies failed to give more than 10 per cent dividend."

"So why would investors come to the market when they can get higher return on their money from other sources?" Sayeed asked.

South Asian Federation of Stock Exchanges (SAFE) President Amir Khosru M Chowdhury, MP said that the stock brokers were on the verge of going bankrupt due to low trade volume. He called for divestment of government holdings in profit-making enterprises.

Second Int'l Seafood Fair in Dhaka may be postponed

Flood discourages exporters to participate in event

Star Business Report

The second International Seafood Fair scheduled to be held in Dhaka this month may be postponed due to floods in the south-western region, according to commerce ministry sources.

A delegation of the Bangladesh Frozen Food Exporters' Association (BFFEA) met Commerce Minister Abdul Jalil at his office yesterday and requested him to either suspend or postpone the October-21-23 fair planned to be jointly organised by BFFEA and the Ex-

port Promotion Bureau (EPB). EPB Vice-President AB Chowdhury was also present during the meeting, sources said.

The BFFEA feels that the foreign buyers would not be interested to join the fair because of the flood which has already hit a number of shrimp farms in the south.

Holding of such an international fair during a natural calamity would not speak well about the country's image, said

a leading frozen food exporter. Besides there would be a number of seafood fairs in Europe and America during the same time. The Sial Food Fair in Paris will begin on October 24 while the Seattle Fair in the USA is scheduled for October 23-24.

The exporters feel that the Dhaka Fair would also hamper shipment of goods for the Christmas festival in Europe. The exporters must ship their goods before October 20 to

catch the festival sell, an exporter said.

When contacted, a senior Commerce Ministry official said that if BFFEA, the main organiser of the fair, does not feel interested to hold the exhibition, then the government would not go ahead on its own.

The EPB spent Tk 25 lakh for holding the first International Seafood Fair in the country and it has a similar budget for this year, the official said.



Russian President Vladimir V Putin (L) and Indian Finance Minister Yashwant Sinha exchange words during a business meeting on 'India-Russia Economic Cooperation' in Bombay yesterday on the final day of his four-day visit to India. The visiting president will visit Babha Atomic Research Center before he leaves for Russia. -- AFP photo

Pak currency may sap under fragile external sector

KARACHI, Oct 5: Monetary tightening by Pakistan might ease some of the pressure on its beleaguered rupee, but analysts said today a large current account deficit and huge debt payments promised the currency little long-term relief, says Reuters.

"You can't expect a long-term solution because of our structural weaknesses," said a treasurer at a foreign bank.

Economists and bankers said moves this week by the central bank to cut interest rates and cut liquidity would not help the rupee for very long because the fragile external sector would affect the currency's stability.

They also said the July decision to allow the rupee to float for current account transactions, made under pressure from multilateral donors, would cut into macro-economic stability goals and growth.

"It has added pressure to the fiscal side, will build up inflationary pressure... In every sense of the word it is destabilising," said one monetary economist.

The other thing this could do, is it may derail whatever growth we were witnessing in the industrial sector," he said.

The rupee has lost 13 per cent of its value since the central bank scrapped a trading band on the interbank market in July.

The band was imposed a year ago when the central bank made the currency convertible for current account transactions, and analysts said that stability partially helped cut inflation to a two-decade low of 3.5 per cent, supplemented by interest rate cuts that helped the industrial sector.

But that seems to have ended, as the central bank on

Wednesday hiked key short-term interest rates for the second time in three weeks and tried to squeeze liquidity from the market by raising cash reserve requirements for banks.

The discount rate went up to 13 per cent from Thursday, while yields on six-month treasury bills, a benchmark for lending rates, were also raised by two percentage points to 11 per cent.

The rupee was trading at 59.30 to a dollar bid in early trade on Thursday, after hitting a record low of 59.70 on Wednesday.

Pakistan ended the last fiscal year in July with a trade deficit of \$1.5 billion, and economists say it could grow this year because of the soaring price of oil imports.

Analysts said Pakistan had no alternative but to agree to the IMF recipe of letting its cur-

BASC workshop on business communication concludes

The 14-day workshop on 'effective business communication and presentation' has ended recently.

The Business Advisory Services Centre (BASC) organised the workshop for students of the MBA programme of the Asian University of Bangladesh at BASC Training Hall in the city from September 19 to October 2, says a press release.

The closing ceremony was presided over by Engr. Md. Lutful Kabir, Executive Director of BASC.

The participants learned the importance, classification, cost and benefits essential for promotion of communication, challenging issues and process of communication, principles, qualities and exercise of effective correspondence, techniques of effective report writing and memos, practice in presentation skills, discipline, practical exercises and self-improvement plan in the workshop.



The 20th Board meeting of Standard Bank Ltd was held at the Board Room of the bank on Sunday. The meeting was presided over by Kazi Akramuddin Ahmed, Chairman of the bank. Vice-Chairman, Chairman of the Executive Committee, Directors and Deputy Managing Director of the bank also attended. The Board took various decisions regarding new projects and the bank's future plans. The meeting also approved some proposals regarding sanction of loans and advances to cater to customer needs. -- Standard Bank photo

US Senate leaders press for export tax overhaul

Bid to avert trade war with Europe

WASHINGTON, Oct 5: US Senate leaders failed yesterday to pass legislation overhauling a multibillion-dollar programme of tax breaks for American exporters, but aides were confident an agreement would be reached to ensure its approval this month and avert a trade war with Europe, reports Reuters.

Senate Republican Leader Trent Lott of Mississippi asked lawmakers to repeal the so-called Foreign Sales Corporation (FSC) programme and replace it with a new system of offering up to \$6 billion a year in tax breaks to big exporters like Boeing Co, B&N and Microsoft Corp MSFT.O, among others.

But Democratic critics of the legislation objected, demanding a full debate and votes on a wide range of amendments, despite White House warnings that delay in passage could spark an all-out trade war with the European Union.

Senate aides played down the rift, saying they still expected Republican and Democratic leaders to reach an

agreement clearing the way for approval of the legislation before Congress adjourns later this month.

The Clinton administration has warned lawmakers against foot-dragging, saying the bill must be enacted by Nov 1 to avert threatened EU sanctions against billions of dollars worth of US goods.

"It will get done, it has to get done and it is the Republican leadership's intention to get it done," said John Czwartacki, Lott's spokesman.

The European Union has charged that the FSC, which does out tax breaks to big US exporters including Boeing Co and Microsoft Corp, through offshore subsidiaries, violates global free trade rules.

The Geneva-based World Trade Organisation (WTO) agreed, and gave Washington until Oct 1 to replace it. Last week, the United States and the European Union reached an agreement giving Washington until Nov 1 to change the FSC.

Under the new tax system, certain categories of foreign sourced income would be ex-

cluded from US taxation. Unlike the FSC, firms would receive the breaks directly, rather than through offshore tax havens.

"This is something that is important to the country," Lott said. Democratic Leader Tom Daschle of South Dakota agreed: "I don't think there is any other choice but to pass the foreign sales bill before the end of this session. It is critical."

But hurdles remain. Sen Paul Wellstone of Minnesota and other Democrats have proposed several amendments, calling on Congress to roll back defence industry subsidies and eliminate tax breaks for US tobacco and pharmaceutical companies.

Sen Daniel Patrick Moynihan of New York appealed to his fellow Democrats to drop their opposition, warning that a trans Atlantic trade war would "astonish us and injure us."

Once approved by the Senate, the legislation must be reconciled with a version approved by the House of Representatives and then signed into law by President Bill Clinton.

Oil prices sharply lower as US crude inventories rise

11 oil cos win Washington oil bid

LONDON, Oct 5: World oil prices ended sharply lower yesterday as fears of a supply crunch eased following a rise in US crude inventories in the world's largest energy market, says Reuters.

International benchmark Brent crude futures closed 53 cents lower at \$30.52 in London. US light crude futures also took a significant fall of 58 cents to end at \$31.49.

Shortly after both markets closed, the US Department of Energy made an eagerly awaited announcement on bids for its Strategic Petroleum Reserve (SPR).

It said strategic crude reserves, aimed at building heating oil stocks before the peak demand winter season and cooling off prices, would be released starting Wednesday and all of it will be delivered by the end of November.

The DOE said 11 companies submitted winning bids to borrow 30 million barrels of crude oil from the nation's emergency oil stockpile.

Last month, the White House ordered the loan of 30 million barrels of oil from the nation's emergency reserves.

Since the Clinton administration announced the plan two weeks ago, US crude oil prices have eased from nearly \$38 a barrel to \$31.50.

OPEC President and Venezuelan Oil Minister Ali Rodriguez said the United States will have difficulty selling crude oil from its emergency stockpile and stressed there was no crude supply problem.

Prices slipped on Wednesday after widely-watched data issued by the American Petroleum Institute (API) industry group showing weekly US crude stocks rising by a big 3.4 million barrels.

The losses were limited by other API statistics showing an increase of just 336,000 barrels in distillate stocks, which include heating oil.

The distillate stockbuild failed to meet the expectations of the market, which had hoped for a rise of about 800,000 bar-

rels. US distillate stocks are still 28.5 million barrels below levels seen a year ago, stocking fears that heating oil inventories may be insufficient for cold weather demand.

The US Department of Energy (DOE) confirmed national crude stocks built last week but the government's rise was less than that shown in Tuesday's API data.

The EIA reported a 700,000-barrel draw in stocks of distillate, including heating oil, to 114.2 million barrels.

In Paris, the industrialised world's energy watchdog, the International Energy Agency (IEA), on Wednesday urged oil companies to try to supply more heating fuel to alleviate what it called an unusually volatile market.

But the IEA signalled its

members were ready to release strategic reserves only in the event of significant supply disruption, explaining producers were pumping enough crude to meet world demand despite the market's short-term tightness.

Oil prices have fallen from a 10-year peak of \$34.98 hit by Brent on September 18, helped by the United States decision to release emergency supplies.

Another report from Washington says: Eleven energy companies will borrow 30 million barrels of crude oil from the nation's emergency stockpile to help curb runaway prices and tight supplies, the US Energy Department said yesterday.

Deliveries of the oil will begin almost immediately, and will be completed by the end of November, the government said.

Dhaka WASA
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