

Bush's victory points to big tax cuts, less regulation

US analysts see inflationary pressure

WASHINGTON, Dec 14: The triumph of Republican standard bearer George W. Bush in principle heralds big tax cuts and less regulation, but could also aggravate inflationary pressures in a slowing US economy, analysts have predicted, says AFP.

However, given that Bush will take office after a bruising, divisive struggle with the Democrats in Florida and will have to work with a slim majority in the House and an evenly split Senate, his ability to make good on some of his most far-reaching campaign promises is expected to be sharply curtailed.

As president, Bush will confront a cooling US economy that some financial experts believe is heading for a "hard landing," an abrupt downturn that imposes painful social consequences.

In a recent television interview, Bush spoke of "warning signs that we need to take seriously," citing a decline in the technology-heavy Nasdaq stock exchange, higher energy prices and weaker auto sales.

To counter the trend, Bush wants to dip into the federal budget surplus to finance his tax cuts.

"We need to make sure people have got some money, some of this surplus, in their pockets to serve as an insurance policy against an economic downturn."

During his campaign the Texas governor pledged a 1.3 trillion dollar across-the-board tax cut over 10 years.

Of the 4.2 trillion dollar federal surplus foreseen by the Clinton administration through 2010, an estimated 2.3 trillion

dollars reflects a surplus in the Social Security trust fund.

But Laufenberg and other analysts worry that "if you're going to be using some of that Social Security surplus to set up private accounts, it's not available to offset other spending and could therefore aggravate inflation."

American Express Financial

Advisors chief economist Daniel Laufenberg warned that putting more money in the hands of US consumers and businesses needs to be delicately timed if an inflationary spurt is to be avoided.

"If it comes when the economy is operating at full employment, as it is now, it may not be a very wise policy," he said.

"If it comes just as the economy is slowing, then it would be considered a perfectly timed policy."

The higher interest rates, which could be ordered by the Federal Reserve if tax cuts caused the economy to overheat, would hamper overall growth, analysts fear.

But experts also believe his plan to create private component to Social Security, the federally administered retirement scheme, could be a boon for a recently lackluster stock market.

Bush would allow workers to use some of the surpluses in the Social Security trust fund to set up private accounts that could be invested in stocks and bonds.

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Engr. Anwar Hossain, GM, Consumer Products of Ericsson Bangladesh, is seen with officials and dealers of Aktel at a workshop organised for Aktel dealers in Chittagong on November 20.

- Ericsson photo

EU assembly for big graphic warnings on cigarette packs

STRASBOURG, France, Dec 14: European Parliament deputies yesterday backed tough health warnings on cigarette packs that could include graphic photographs of blackened lungs and rotten teeth highlighting the health damage from smoking, says Reuters.

The Strasbourg-based assembly approved proposed European Union legislation already backed by EU health ministers which would ban European cigarette makers from using terms such as "mild" and "low tar" and force them to put larger health warnings on packets.

In some respects the parliament went further than ministers, calling for tough health warnings to cover 30 per cent of the front of a cigarette packet and 40 per cent of the rear.

Under proposals backed by health ministers in June, health warnings would have had to cover 25 per cent of the packet.

MEPs overwhelmingly backed an amendment giving EU member states the option of filling part of the warning space with colour photographs showing the health effects of smoking.

The proposals, due to take effect at the end of 2003, are based on tough new Canadian legislation.

Currently, warnings on cigarettes in the EU only have to cover four per cent of the pack.

Dutch Liberal Democratic Jules Maaten, who piloted the legislation through parliament, said he was delighted at the outcome which went beyond his expectations.

"What it shows is that there is a very large majority in the European Parliament for further tobacco control on a reasonable basis," he told reporters.

More than half a million people die each year in the EU from smoking-related diseases, amounting to one death every

minute.

In line with the proposals backed by governments, maximum tar content per cigarette will be reduced from 12 mg to 10 mg and nicotine cut to one mg. For the first time, there will be a 10 mg limit on carbon monoxide content.

The lower nicotine and tar levels will cover all cigarettes manufactured in the EU, including those intended for export outside the 15 nations bloc, a clause which worried countries with major manufacturing interests like Germany and Luxembourg.

Commanding the country's success in the field of foreign investment, the envoy mentioned the investment of a number of French companies in Bangladesh including Lafarge.

Welcoming Paris' willingness to deepen trade cooperation with Dhaka, the commerce minister said Bangladesh would like to increase bilateral trade and investment with France.

British Labour MEP Catherine Stihler said European consumers had been taken for a ride in being sold the idea that "light," "mild" and "low tar" cigarettes were healthier.

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