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Star BUSINESS

DHAKA THURSDAY APRIL 12, 2001

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Bank holiday on Saturday

UNB, Dhaka

Bangladesh Bank and all other scheduled banks will remain closed on Saturday on the occasion of the Bengali New Year, said a press release yesterday.

Srilankan voted Central Asia's Airline of Year 2001

Srilankan Airlines has been voted Central Asia's Airline of the Year 2001, says a press release.

In a global survey of airline passengers, conducted by the UK's Skytrax Research, 2.7 million votes were submitted over a period of nine months from around the world, culminating in the awards process in March 2001.

The survey asked customers to rank airlines on the basis of quality of the product and service provided to passengers.

Peter Hill, Srilankan's Chief Executive Officer, said: "We are thrilled that Srilankan has been recognised as the top airline in the Central Asia region.

"This award is the seal of approval from our customers that our efforts to revitalise the airline have been successful, but that does not mean we can become complacent in our work to continue to provide a top-quality service to our customers for a long time to come," he said.

Srilankan Airlines, based in Colombo, flies to 35 destinations in 26 countries, using the latest aircraft including Airbus A330-200 and A340-300.

Skytrax Research is the operating name of Inflight Research Services UK, an independent organisation specialising in Qualitative Research for the airline industry since 1990.

OECD hits members over farm trade barriers

REUTERS, Geneva

Officials of the OECD, often dubbed "the rich man's club", yesterday hit out at member states, saying some had maintained or even raised barriers to farm produce from poorer countries despite world trade accords.

The officials, speaking at a Geneva conference, also suggested some powers were using issues like food security and preserving the countryside to turn aside calls from agricultural exporters for them to slash subsidies to their farmers.

"There is still a very high level of protection for most agricultural commodities... in some OECD member states," said Gerard Viatte, the Paris-based body's Director for Food, Agriculture and Fisheries.

"Developing countries face very high barriers not only to their raw products but also to their processed agricultural goods... We are calling for reform of these policies," Viatte declared.

The OECD, the Organisation for Economic Cooperation and Development, includes the 15 countries of the European Union, the United States, Japan, Canada, Australia and New Zealand as well as emerging economies like South Korea and Mexico.

Its mandate is to promote and coordinate policies aimed at improving economic and social welfare in member states and to stimulate efforts by them to help developing countries.

Tuesday's news conference was called to mark the launch of three studies by the OECD Secretariat on farming issues, including one on how far its members had implemented the global Agricultural Agreement of 1994.

That agreement was part of an overall liberalisation accord reached at the end of the 1986-93 Uruguay Round of trade negotiations which also brought the creation of the World Trade Organisation (WTO) to replace the old GATT.

But the OECD said the round had not brought the promised increase in agricultural trade - an outcome many poorer countries had counted on to compensate for concessions they made during the negotiations.

Viatte said that some measures taken by OECD members, although strictly legal under the Agricultural Agreement, in fact distorted world farm trade because developing countries had very low levels of protection.

The 212-page implementation study said some OECD states had reduced export subsidies, a commitment they had taken under the Agreement, but it suggested they had found other ways to finance their high-cost farming and keep it competitive.

Govt approves proposal to slash SLR requirement

Move to lower financial instts' fund cost, raise industrial lending

Inam Ahmed

In a bid to reduce the cost of fund of the financial institutions and increase industrial lending, the Ministry of Finance has given its 'go-ahead' to a proposal to cut their statutory liquidity reserve (SLR) requirement.

The proposal, which was mooted by the Bangladesh Bank and vetted by the law ministry, has been sent for gazette notification.

According to sources, the financial institutions such as leasing companies, which do not receive deposits, will have to maintain only 2.5 per cent of their total liabilities as liquid assets. On the other hand, financial bodies that take deposits will have to maintain a total five per cent SLR including 2.5 per cent cash reserve ratio (CRR).

"This is a huge incentive for financial institutions like the leasing companies, said a finance ministry official. "Currently, all the financial institutions have to maintain at least 10 per cent SLR with 2.5 per cent CRR."

The latest move is seen as a big step forward towards increased industrial financing. Leasing industry sources said that this CRR relief would make an additional availability of around Tk 250 crore for new investment. At the same time, it would reduce their cost of funds by two to three per cent.

Earlier, the financial institutions met the governor and the finance minister to make it a point that their fund cost is too high, which as a result, also keeps their interest rates higher.

According to the ministry sources, the government has a plan to increase industrial investment in the country.

"Commercial banks are actually not meant for industrial financing and on the other hand, the development financial institutions (DFIs) like the Bangladesh Shilpa Rin (BSR) and Bangladesh Shilpa Rin Sangstha (BSRS) are burdened with huge classified loans and do not have any investment funds.

Under such circumstances, the leasing companies promised a new funding channel for the industrial sector. With this in view, the central bank in collaboration with the World Bank is shortly going to launch a new project for collateralised loan obligation (CLO) under which the leasing companies are getting credits against their investments. The projects would also aim at bringing the projects invested by leasing companies to the capital market.



Dr M Fouzul Kabir Khan, CEO of IDCOL and Scott Kicker, Managing Director of AES Meghnaghat Limited, exchange the documents of a signed agreement on US\$80 million loan facilities for the 450 MW gas-fired combined cycle power generation project on behalf of their respective companies. Dr Masihur Rahman, ERD Secretary and Chairman of IDCOL, Dr Tawfiq-e-Elahi Chowdhury, Secretary, Ministry of Planning, A S Mahmud, Chairman of ETV, and other guests are also seen.

IDCOL signs \$80m financing deal with AES Meghnaghat

Largest project loan by any local company

STAR BUSINESS REPORT

Dr M Fouzul Kabir Khan, Chief Executive Officer of IDCOL, and Scott Kicker, Managing Director of AES Meghnaghat Ltd, signed the loan agreements on behalf of their respective companies.

IDCOL Chairman and Economic Relations Division Secretary Dr Masihur Rahman, Planning Secretary Dr Tawfiq-e-Elahi Chowdhury, Civil Aviation Secretary CM Mohsin, IDCOL Director and Chairman of ETV AS Mahmud and other directors also attended the signing ceremony.

Given the project's 'very competitive power tariff', resulting in a moderate debt-service cover ratio, IDCOL's loans played the main catalytic role in attracting commercial lenders to the project, said IDCOL officials.

IDCOL's two tranche facilities included a senior tranche of \$20 million and a subordinated tranche of \$60 million. In addition to IDCOL, ADB is lending \$50 million and a consortium of banks led by ANZ Investment Bank, Singapore is contributing another \$90 million.

Hyundai Engineering and Construction Company is constructing the project as EPC contractor (equipment, procurement and contractor). The site remedial work has been completed earlier this year and civil works at the plant is progressing in full swing.

The project is expected to start producing power from the middle of 2002.

AES Meghnaghat power plant has three components - gas turbines, heat recovery steam boiler (HRSG) and steam turbine. Purchase orders for the gas turbine was placed in February, for steam turbine in March and HRSG in April last year.

All the equipment are now in an advanced stage of manufacturing and will arrive at the site before the year-end, company sources said.

Infosys net profit soars 114 per cent

AFP, Bangalore

India's leading software and consultancy firm Infosys Technologies yesterday said its net profit for the year to March rose 114 per cent to 6.28 billion rupees (136 million dollars) from 2.93 billion rupees in the previous year.

The company's total income increased to 19.59 billion rupees from 9.21 billion rupees in the earlier period, a company statement said.

Infosys' net profit in the quarter ending March 2001 rose year-on-year to 1.81 billion rupees from 934.2 million rupees, while total income increased to 5.72 billion rupees against 2.86 billion rupees.

Analysts said the whopping 114 per cent growth in Infosys' net profit, coming just a day after a 134 per cent rise in software major Satyam's net profit, showed Indian information technology firms had weathered a US slowdown.

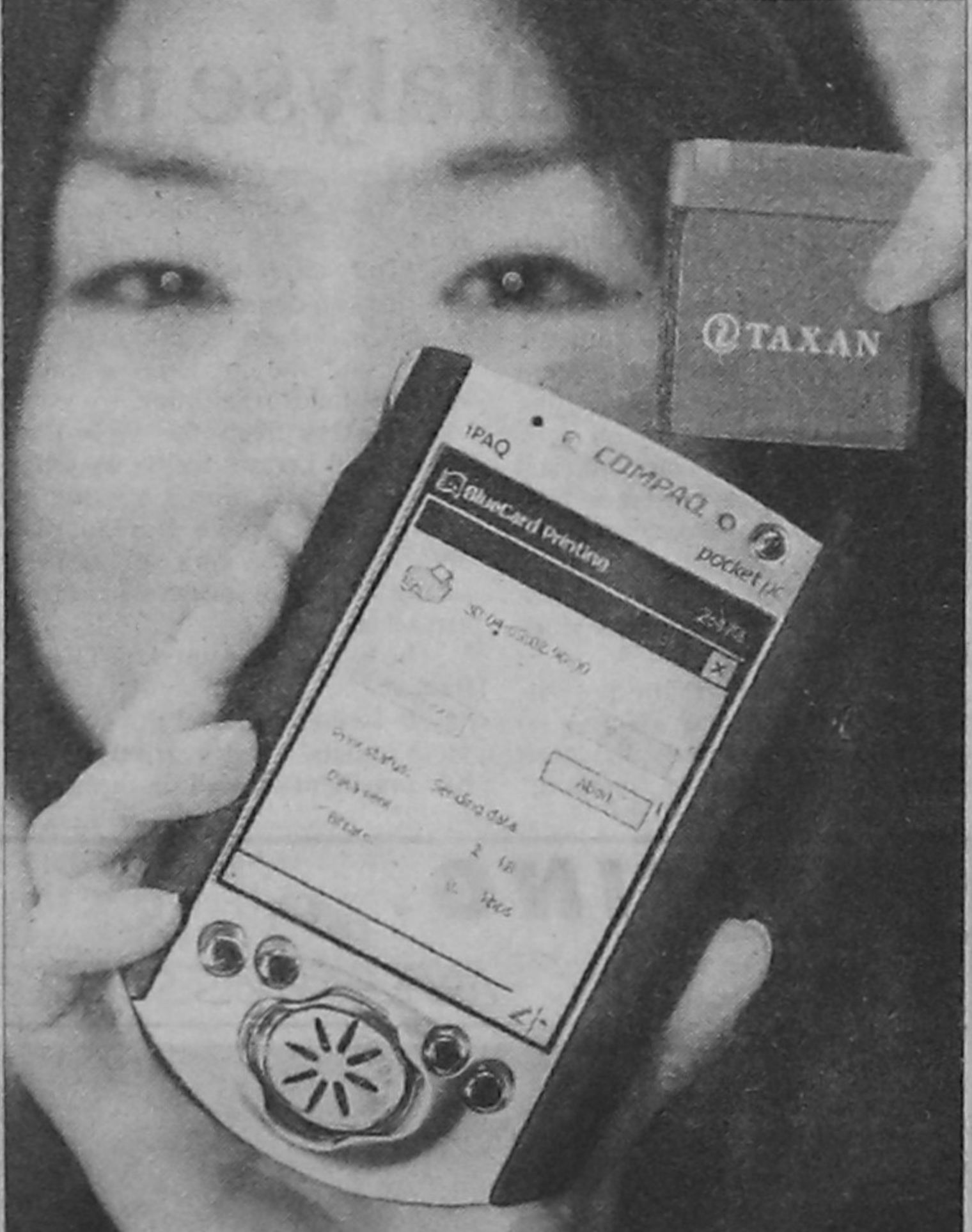
But they cautioned that recent high growth levels may not be sustainable.

"The growth rates of the past will not be sustained, that is for sure," said Sujay Ghosh, an analyst at ICICI Securities in the western Indian city of Bombay.

"For domestic infotech companies, the fourth quarter results were not really an area of concern, but what is of concern is the forecast," Ghosh added.

Another analyst at a domestic brokerage, who did not want to be named, said while the Satyam results were good he was disappointed with the performance of Infosys.

"I would advise my clients to stay away from the sector for a while till there is clarity on topline growth. This quarter is an indication of the bad things in store for the sector," he said.



American PC giant Compaq employee Kaori Suzuki displays the company's Windows Pocket PC OS based PDA "iPAQ Pocket PC H3630" and a compact flash card-sized BlueTooth unit "iPAQ-BTCC" produced by Japan's Kaga Electronics in Tokyo yesterday. iPAQ will be on sale in Japan from this month with a price of 480 USD and the BlueTooth unit is expected to go on the market next month with a price 280 USD.

Oil prices soar on US gasoline fears

REUTERS, London

World oil prices surged yesterday, ending sharply higher as investment funds took fright at the prospect of a summer gasoline shortage in the United States.

London Brent crude last traded \$1.23 higher at \$26.51 a barrel and US light stood \$1.17 stronger at \$28.45 at the close.

Oil prices briefly shed some gains in late trade but remained on high ground after United Nations figures showed that Iraq's oil exports rose 471,000 barrels per day (bpd) to 2.29 million bpd in the week to April 6.

Iraq, bound by UN sanctions, also reached its highest four-week oil exports average since early November, with 2.24 million bpd through April 6.

Dealers said they were anticipating a seventh straight week of declines in US gasoline inventories when the American Petroleum Institute (API) issues US fuel stocks data after the close of business on Tuesday.

They said investment funds which were short oil futures on the New York Mercantile Exchange now were buying back contracts, helping push prices higher.

"US gasoline is getting incredibly tight and the funds are short. They could easily push the market higher again," said a London futures dealer.

Latest data from the US Commodity Futures Trading Commission, released last Friday, showed speculators with their largest NYMEX crude short positions - a bet that prices will fall - in three years. "Gasoline provided the main support for the market yesterday with traders already positioning themselves for a bullish API report tonight," said Lawrence Eagles of GNI Research.

Eagles said the report would need to show a three per cent jump in refinery utilisation from a forecast one per cent to allay fears of a gasoline supply crunch.

Analysts also were expecting a 2.3 million barrel build in crude stocks and a decline of 1.1 million barrels in middle distillates, including heating oil and diesel fuel.

US gasoline futures touched \$1.00 a gallon on Monday for the first time since October and last traded 3.38 cents stronger at \$1.0250 a gallon on Tuesday.

The US Department of Energy has warned that retail gasoline prices are likely to jump this summer if the US supply system experiences any disruptions or bottlenecks.

CURRENCY

Following is yesterday's forex trading statement by Standard Chartered Bank

Central bank buying and selling band of USD: BDT 53.85/BDT 54.15						
TT/OD	BC	Currency	TT Clean	OD Sight	OD Doc	Transfer
54.2800	54.3100	USD	53.8300	53.6614	53.5929	
49.0798	49.1667	EUR	47.2820	47.0986	47.0220	
78.2435	78.2855	GBP	76.7579	76.4914	76.4368	
27.4317	27.4562	AUD	26.3785	26.2860	26.2059	
0.4413	0.4415	JPY	0.4301	0.4299	0.4289	
31.9935	32.0180	CHF	31.2321	31.1176	31.0531	
5.3514	5.566	SEK	5.2615	5.2439	5.2279	
353.0252	35.0497	CAD	34.4618	34.3682	34.2850	
6.9638	6.9651	HKD	6.9001	6.8824	6.8650	
30.171	30.1924	SGD	29.7437	29.6999	29.5852	
14.9002	14.9178	AED	14.5283	14.5064	14.4879	
14.5888	14.6072	SAR	14.2469	14.2102	14.1920	

Usance export bills					
TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
53.7190	53.3876	52.9451	52.4363	51.8833	50.644

Exchange rates of some Asian currencies against US dollar					
Indian Rupee	Pak Rupee	Thai Baht	Lankan Rupee	Indo Rupiah	NZ Dollar
46.48/46.6	59.55/60.5	45.40/4	87.50/87.60	10622/1064	0.4026/0.4
		5.45		2	0.33

US dollar					
Buying		Selling		LIBOR	
Cash notes	53.6300	54.3100	USD	5.02000%	4.74000%
TC	53.5800	54.2900	GBP	5.46234%	5.41656%

EU agrees with US to end banana trade row

REUTERS, Brussels

The European Union (EU) has reached an agreement in principle with the United States to end a long-running dispute over banana trade, EU Trade Commissioner Pascal Lamy said yesterday.

"The Commission has been talking about this morning and we agreed with the American administration as to how we might settle this dispute," Lamy told a news conference.

The agreement must be endorsed by EU governments and the European Parliament but Lamy said he and Farm Commissioner Franz Fischler would recommend "very warmly" that the EU should adopt the agreement.

The dispute over the EU's banana import rules has dragged on for years.

WB sees gloomy global outlook, weak US growth

Stock slump to pull down world growth: UN

REUTERS, Washington

The World Bank on Tuesday forecast sluggish global economic growth this year, based largely on a growth forecast for the US economy that is dramatically lower than predictions from other sources.

In its annual Global Development Finance report, the World Bank said it expects the world economy to expand by just 2.2 per cent this year - much lower than the 3.4 per cent it predicted when it last revised its outlook in November.

The falloff in expectations for the world's richest economy was even more pronounced the Washington-based lender forecast US growth of just 1.2 per cent this year, down from the 3.2 per cent forecast it made just five months ago.

That 1.2 per cent projection is well below the 2.4 per cent US growth forecast by the Bush administration and the US Congressional Budget office. It is also well below the 1.9 per cent forecast on average by Wall Street economists.

Hans Timmer of the World Bank's research department attributed that difference in the forecasts to the fact that the bank's projection is more up to date, and said that others will likely revise their estimates lower soon.

While the report forecasts a quick turnaround in US fortunes with growth expected to rebound to 3.3 per cent in 2002 the bank admits in its report "The risks to the forecast are substantial."

The outlook for Europe is better, with growth forecast at 2.5 per cent this year, down from an earlier estimate of 3.2 per cent, before picking up to 3.1 per cent in 2002.

Japan's outlook was darkest of all, with growth seen at just 0.6 per cent this year, much weaker than the 2.1 per cent forecast last November. Japan is expected to post growth of 1.8 per cent in 2002.

Rapid rebound?

The notion of a short-lived US slowdown followed by a rapid rebound was predicated on a slew of assumptions. Among them were an underlying increase in US productivity, lower interest rates boosting demand, lower oil prices and subdued inflation, a weaker dollar versus the euro and higher consumer confidence from lower income taxes.

Timmer said the forecast calls for an actual contraction of the US economy during the first three months of this year and growth near zero between April and June, with recovery swiftly following.

Third quarter growth is seen at more than 2 per cent and close to 3 per cent in the final three months of the year.

"With equity markets continuing to slide through the early months of 2001, further movement to the low-case scenario, and hence a more prolonged period of subdued consumer and producer sentiment, becomes increasingly likely," the report states.

"A (US) hard landing can still be avoided," World Bank Chief Economist Nicholas Stern said at a news briefing.

But while Stren said he was hopeful the downturn would be short-lived, he admitted that forecast was made with little confidence because it is always difficult to spot a turning point in an economic trend.

Meanwhile a reports from United Nations says: Pulled down by falling stock prices in the US and elsewhere, global economic growth should slow to 2.4 per cent in 2001 from 4 per cent last year while trade expands at half 2000's 12 per cent rate.

While world growth should rebound next year, "substantial downside risks remain."

Japan's current account surplus falls 8.7pc in Feb

AP, Tokyo

Japan's current account surplus with the world fell 8.7 per cent in February from the same month a year earlier on a sharp drop in the trade balance, the government said Wednesday.

The current account surplus - the difference between Japan's income from foreign sources and payments on foreign obligations - decreased to 1.3461 trillion yen (\$10.9 billion) in February, the Finance Ministry said.

It was the third consecutive month that the current account surplus - Japan's broadest measure of trade - registered a decrease on-year. It is measured before adjustment for seasonal factors.

The surplus was larger than expected. Economists surveyed by Dow Jones Newswires had forecast it to come in at 1.176 trillion yen (\$4.8 billion).

Baghdad won't oppose Kuwaiti trade fair in Iraq

REUTERS, Baghdad

Iraq will not oppose holding a trade exhibition by Kuwaiti companies in Baghdad or prevent Kuwait taking part in the city's annual trade fair, a senior Iraqi trade official said in remarks published yesterday.

"If Kuwaiti companies want to organise a trade exhibition or take part in Baghdad international trade fair, the Iraqi side will not oppose that," the weekly al-Rafedain newspaper quoted Fouzi Hussein Thahir, the director-general of the state-run Iraqi trade fair company, as saying.

No Kuwaiti companies have taken part in Iraqi trade fairs since Iraq invaded Kuwait in August 1990 after weeks of wrangling over oil production quotas.

Another Iraqi newspaper said the conflict between Iraq and Kuwait which has been festering since the 1990-91 conflict would be resolved if Kuwait pursued a policy away from US influence.