

ECB rate cut comes under fire

AFP, Frankfurt

The European Central Bank (ECB) was under fire Friday for the way it cut interest rates, after markets saw the surprise move as a further sign of confusion within the fledgling institution.

In London, where the euro sagged below 88 US cents for the first time in two months, Bank of America chief economist Jeremy Hawkins said the fall of the single currency was "a reflection of disappointment" with the way the key euro-zone rate had been cut by a quarter of a percentage point on Thursday.

Hawkins told AFP: "Investors have been wanting an interest rate cut out of the ECB for a long while now. But the way they delivered the cut was pretty much the worst case."

"It very much put another hole in the central bank's credibility, it has left people wondering exactly what the central bank is focusing on," he said.

"What should have been a plus factor for the euro is now at

best neutral and at worst perhaps even something of a negative."

The Financial Times sounded a similar note.

"By saying 'No, no, no... yes', the European Central Bank lost some of the credit for doing the right thing," the daily resumed in an editorial.

Cutting the euro-zone's key refinancing or refi rate by a quarter point to 4.50 percent was seen as good news for growth because it would reduce the cost of credit.

But shaving off a quarter point has had only a symbolic effect, and the full impact will be limited if the reduction is not followed by further credit-easing measures.

ECB decisions on interest rates also generally need about six months to have a broad effect, economists point out.

But the bank, striving to maintain its independence, appeared willing to open the credit tap just slightly instead of letting it flow freely in a bid to boost growth by the US Federal Reserve has in the past four months.

Fed chairman Alan Greenspan has unambiguously chosen a strategy of active support for the economy, while the ECB maintains that price stability is its main concern.

"The ECB's economic diagnosis remains behind. Only more striking action will have a real impact on investor confidence and the euro exchange rate," said Emmanuel Ferty, an economist with the Exane investment group.

The timing of the cut posed another problem for analysts.

"In light of the very confused declarations Thursday by ECB president Wim Duisenberg, it should have cut its rate as early as April 11," said Nordin Naam, head economist for the French national savings bank, the Caisse Nationale des Epargnes.

The move seems to come either too late, or as a rushed reaction to signs the European economy is hitting the brakes, especially in Germany where industrial output dropped in March, mainly due to a sharp drop in production in the construction sector.

The ECB, unlike the Fed, cannot just act in response to economic fluctuations, influential governing board member Ernst Welteveld said Friday.

"From this point of view, the Eurosystem's mandate is different from that of the Fed."

Either the ECB's often-repeated concern over inflation is well-founded, in which case the rate cut did not make sense, or the European monetary watchdog concluded the economy was more vulnerable to a US economic slowdown than it has previously admitted.

France, which has the lowest inflation in the euro zone, saw prices jump in April to a 12-month level of 1.8 percent, while in Spain and the Netherlands the full-year figure was 4.0 and 4.9 percent respectively.

The ECB has set an inflation target of 2.0 percent for the euro zone.

But it has also had to revise economic growth prospects for the zone lower over the past few months.

"Myanmar have assured ASEAN members they are working as hard as they could" to eradicate forced labor, Malaysian Human Resources Minister Fong Chan Onn said after hosting the two-day talks. The meetings included talks Friday with senior officials from China, Japan and South Korea.

Myanmar's government last year issued a decree making forced labor illegal. But the New

ASEAN defends Myanmar against forced labour claims

AP, Kuala Lumpur

Southeast Asian countries agreed Friday to defend Myanmar's military government against claims it has failed to curb forced labour practices, and renewed their opposition to tying trade deals with labour standards.

In a joint statement issued after annual talks, Labour ministers from the 10-country Association of Southeast Asian Nations, or ASEAN, urged the International Labour Organisation to accept Myanmar's assurances about the prohibition of forced labour and put a stop to threatened sanctions.

The Geneva-based ILO has urged all 175 member nations to impose sanctions and review their dealings with Myanmar to ensure they are not abetting forced labour. But the body left it up to individual governments, organisations and labor unions to determine what they will do.

Myanmar's government last year issued a decree making forced labor illegal. But the New

York-based Human Rights Watch alleged that the decree was issued only to avoid international criticism and cited refugees who claimed the practice still existed.

Fong said

Myanmar's delegation had explained "in great detail" the legislative and other measures the government had taken to end forced labor.

In their joint communiqué, the ASEAN ministers urged the ILO to recognise these measures and to "refrain from further action" against Myanmar.

ASEAN delegations to the ILO's next meeting in June would explain the initiatives, it said.

Myanmar has long been assailed by the United Nations and Western nations for suppression of democracy and its human rights record, which includes the use of unpaid civilian labor on infrastructure projects.

Aussie central bank sees latent dangers to economy

AFP, Sydney

Australia's central bank governor warned Friday that predictions of an impending economic recovery could not be relied upon with any confidence.

While all the indicators pointed to a resumption of growth after the economy contracted by 0.6 percent in the December quarter, "we cannot as yet be confident", Reserve Bank Governor Ian Macfarlane told a parliamentary committee hearing.

He reiterated recent warnings from the Reserve Bank of Australia (RBA) that a US-led global downturn posed the most serious threat to a domestic recovery later this year.

"Policy has been returned to an expansionary setting, with the easing front-loaded," Macfarlane said.

"Interest rates are close to the low points reached in the two most recent episodes of monetary policy easing.

"Given that fact, and given that we see some promising signs in the economy and financial markets, there is a reasonable chance that the current stance of policy will turn out to be easy enough to achieve the desired results," he said.

But equally, while it is reasonable to expect that the promising trends of late will develop into stronger momentum for growth, we cannot as yet be confident.

Macfarlane also provided one of the clearest indications yet that the RBA may ease monetary policy for a fourth time.

The absence of concrete evidence indicating the Australian economy was on the up "means that we cannot be sure that further monetary policy easing will not be required", he said.

The growth outlook rests on various assumptions, not least that international conditions stabilise before too long, and improve somewhat during 2002.

While economists are divided about the prospects of Australia sliding into recession, a consensus appears to be forming around modest gross domestic product growth of 0.5 percent for the March quarter.

OPEC hails US for supporting its policy

REUTERS, Vienna

OPEC Thursday praised the Bush administration for not placing the blame on oil producers for record US gasoline prices and said European politicians should take note.

"Over the past few weeks, several leading US administration officials have recognised the reasons behind the present US difficulties," said OPEC Secretary-General Ali Rodriguez.

"They have gone out of their way to point out that OPEC's policies are not to blame for the current situation and we welcome their sincerity with the US public," Rodriguez said in an interview released by the official OPEC news agency.

US Vice President Dick Cheney said this week that a shortage of US refinery capacity was to blame for propelling prices at the pump to an all-time high.

"We've worked with OPEC... the fact is today we can't blame the problem on OPEC in terms of current gasoline prices," said Cheney.

Ailing Japan economy takes turn for worse, says govt

AP, Tokyo

Japan's ailing economy has taken a turn for the worse as falling demand for exports is forcing factories to cut production, the government said Friday in a closely watched report.

A month after warning for the first time in more than five years that the economy was "weakening," the Cabinet office report for May said that conditions are "weakening further".

It was the fourth straight month that the Japanese government downgraded its assessment of the world's second-largest economy, which is mired in its deepest slump in decades.

The report cautioned, however, that Japan is still on track toward a "self-sustaining" recovery, and investors seemed to take the otherwise gloomy language in stride.

The benchmark 225-issue Nikkei Stock Average closed up 0.19 per cent at 14,043.92, snapping a

three-day losing streak. The dollar bought 122.62 yen late Friday in Tokyo, up 0.40 yen from Thursday.

Feeling the effects of the US economic slowdown, Japanese manufacturers have been slashing production in a battle to keep inventories from piling up. The United States is the largest export market for Japanese cars, electronics and other manufactured goods.

The report said that rising inventories may force companies to scale back output and investment even more, kicking away one of the few pillars supporting the economy.

Highlighting the bleak prospects for investment, core machinery orders fell 3.6 per cent in March from the previous month and plunged 7.0 per cent in the January-March period.

Consumers' reluctance to spend also remains a heavy drag on the Japanese economy. They have been discouraged from

opening their wallets by record unemployment and bankruptcies.

Reflecting that trend, the report said that imports have stopped growing - a downgrade from last month's assessment that import growth was "slowing."

Newly elected Prime Minister Junichiro Koizumi has promised to put the economy at the top of his administration's policy agenda.

Unlike his predecessors, who have spent trillions of yen (billions of dollars) in taxpayer money on public-works programmes in an attempt to lift the economy out of its doldrums, Koizumi has emphasised the need to dismantle regulatory barriers to competition that many analysts blame for making Japanese companies inefficient.

But even Koizumi has admitted that his reforms - if he can push them through - will initially bring more pain in the form of lost jobs and economic displacement.



Sheikh Kabir Hossain, Chairman of Sonar Bangla Insurance Ltd, inaugurates the local office of the company in the city recently.

PHOTO: SONAR BANGLA INS

METROPOLITAN



Chief of Army Staff Lt Gen M Harun-Ar-Rashid, Bir Protik, offering mazajat after inaugurating the newly-built building of the Gazirchat Government Primary School near the Savar Cantonment on Thursday. US Ambassador to Bangladesh Mary Ann Peters is also seen in the picture. The school building was constructed by the members of the Bangladesh Army and the US Army under a joint exercise 'Bailey Bulldog-3'.



Vesak (Buddha Purnima) celebrations were held at the Sri Lankan High Commission premises recently. Picture shows the Lankan High Commissioner Neville Piyadigama with the guests.



Police IG Mohammad Nurul Huda inaugurated a Free Friday Clinic run by Police Nari Kalyan Samity (Ponak) at Ponak office premises at Rajarbagh Police Lines in the city yesterday.

Army chief, US envoy open school in Savar

BSS, Savar

The US envoy in Dhaka and the Bangladesh army chief jointly opened a school here on Thursday as army engineers of the two countries built the structure under a joint exercise as part of their on job training.

Lieutenant General Harun-Ar-Rashid, Bir Protik, and Ambassador Mary Ann Peters inaugurated the Gazirchat Primary School near Savar Cantonment, the third such project under the "Bailey Bulldog," at a cost of US\$ 88,000 provided by the US government.

The young members of the engineering core of the two armies, led by First Lieutenant Robin Bishop and Captain Anwar Hosain, took three months to build the three-room structure with US specification.

Ambassador Peters explained the purpose of the exercise as exchange of goodwill between the two armies, who are currently working together in 12 United Nations peacekeeping missions.

"This symbolises the excellent ties between Bangladesh and US armies... our army commanders enjoy excellent relations," she said.

Under the Exercise Bailey Bulldog, two other school buildings were constructed earlier in Rangpur and Bogra.



Congratulations

Rabindra Bharati University of Kolkata has conferred Doctor of Literature on Dr Khandaker Reajul Haque, a folklorist, says a press release.

The title of his thesis was 'Marami Kabi Sabir Ahmed Chowdhury: Chaitanya-Lalon-Rabindra Marami Attihya Sangraman.'

Dr Reajul Haque is a former deputy director of Bangla Academy and president, Lalann Parishad Central Committee.

WEATHER TODAY

Thundershowers forecast

UNB, Dhaka

Rain or thundershowers accompanied by temporary gusty or squally wind is likely at many places over the country in the next 12 hours till 6 pm today.

Little change in day temperature is expected over the country, Met Office said.

The country's highest temperature recorded yesterday was 34.0 degree Celsius at Khulna and the lowest 20.0 degree Celsius at Rangamati and Madaripur.

The sun sets in the capital today at 6:33 pm and rises tomorrow at 5:17 am.

Maximum and minimum temperature and humidity recorded in some major cities and towns yesterday were:

City/Town	Temperature in Celsius	Humidity percentage		
	Max	Min	Morning	Evening
Dhaka	28.4	20.9	79	76
Chittagong	31.5	21.5	81	72
Rajshahi	28.4	22.4	87	72
Khulna	34.0	21.8	79	77
Barisal	30.5	20.5	85	90
Sylhet	30.0	20.9	87	80
Cox's Bazar	32.2	21.0	98	80

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