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Exports face first jolt this year

Earnings lose 10 percentage points in a quarter

MONJUR MAHMUD

The country's export earnings slowed down significantly in the third quarter of the current fiscal year, sparking new concern for the fragile balance of payment (BOP) situation, which was only US\$ 1.2 billion this week.

After going strong in the first and second quarters, export growth slowed down to a 15 per cent in the third quarter from over 25 per cent in the first two quarters.

Exports recorded an impressive result in the first quarter earnings with earnings crossing the target by 10.61 per cent. The growth was 25.38 per cent from the last fiscal's same period.

The excellence continued in the second quarter of the current

fiscal year, and the half-yearly export growth was also around 25 per cent.

But at the end of the third quarter, export earnings crossed the target by less than one per cent, showing a poor 15.92 per cent growth.

In the first quarter, RMG, the major foreign currency earner, crossed the target by 12 per cent with 20.53 per cent growth. It beat the target by 5 per cent till the second quarter with 20 per cent growth.

But at the end of the third quarter, RMG exports growth slumped to 11.56 per cent. It fetched \$2511.65 million, posting a small 1.48 per cent rise from the target.

Knitwear also surpassed the target by six per cent in the first

quarter and its earnings were 31.17 per cent higher than that of last fiscal's same period. At the end of the second quarter, it crossed the target by one per cent with 33 per cent growth.

But at the end of third quarter, Knitwear exports suffered a major set back with its earnings growth slumping to 22.19 per cent.

Frozen food also faced a slow down at the end of the third quarter. From a 54.61 per cent growth in the first quarter, it fell to 25.72 per cent at the end of the third quarter.

On the other hand, the country's exports in the US market plunged to 38.88 per cent from around 42 per cent of the total export in the last quarter.

Exports fetched US\$ 4781.34

million till March of the current financial year.

During July-March period, knitwear, jute goods, chemical products, raw jute and tea could not reach their respective targets while some other items including readymade garments (RMG), frozen foods, leather and handicrafts surpassed their respective target.

Jute goods worth \$ 167.24 million were exported against the \$225 million target in the first nine months of the current financial year. The earnings were 25.67 per cent less than the target and 19.72 per cent down from that of the last fiscal's same period.

During July-March period, the country exported \$175.96 million worth of leather, showing an increase of 9.12 per cent from the

target and 22.27 per cent from the figure recorded during the last fiscal's same period.

Chemical products worth \$71.06 million were exported against a target of \$75 million, showing a fall of 5.25 per cent from the target while registering a 25.64 per cent rise over the last fiscal year's corresponding period.

Raw jute worth \$49.87 million was exported during the July-March period against the target of \$56.25 million. This is 11.34 per cent less than the target and 4.43 per cent higher than that of the last fiscal's same period.

The United States still remained the major market for Bangladesh exports, accounting for \$1858.85 million or 38.88 per cent of the country's total exports.



Gerd Wahlstrom, Ambassador of Norway in Bangladesh, made a courtesy call on President of the Foreign Investors' Chamber of Commerce & Industry (FICCI), Waliur Rahman Bhuiyan at the latter's office yesterday and exchanged views on the prevailing business and investment scenario in the country. FICCI Secretary Jahangir Bin Alam was also present on the occasion.

Asian currencies firm as US Fed cuts interest rates

REUTERS, Singapore

Asian currencies were mostly firmer in late trade Wednesday after interest rate cuts by the Federal Reserve raised hopes of economic recovery in the world's major growth locomotive.

In a statement that followed the cut, the fifth 50 basis point reduction so far this year, the Fed repeated concerns about falling investment spending and weak corporate profits.

But the positive impact of the cut was countered by a weaker yen which retreated to its two-week lows around 124 amid talk of Japanese investor demand for overseas assets.

Local factors also played a key role in lifting some currencies, particularly the Singapore dollar and the Thai baht.

The Sing dollar made strong gains after the Monetary Authority of Singapore confirmed it intervened last week to offset the impact of strong M&A outflows. Dealers said the confirmation, which is unusual, severed as a notice that it would not tolerate

further slippage in its trade-weighted currency.

The Thai baht lurched higher after the Bank of Thailand said it would further tighten disclosure rules on the baht to stave off speculation.

Thai baht: The baht leapt above 45.40 on news the central bank was planning to further tighten disclosure rules on baht trading for non-resident accounts from July 2.

Baht funding costs in the off-shore market also eased further as demand to borrow the baht to fund dollar holdings ebbed. The one-month forward rate was quoted at 9.5/17.0 satang per dollar, but there was not much trade done as the spread was wide.

Singapore dollar: The Singapore dollar firmed as local banks offloaded US dollars following comments from authorities reaffirming their commitment to a tightening monetary bias.

Korean won: The won edged lower in line with the falling yen, touching a two-week low of 1,310.2, where some export and

equity-related inflows capped the downside.

Dealers said hopes of foreign direct investment inflows from the potential sale of Daewoo Motor Co. and Hynix Semiconductor 006600. KS to foreign investors kept sentiment supported.

The consumer confidence survey for April also came in better than the previous month but dealers in Singapore said they were more worried about the economy of Korea's biggest export market.

With a recovery in the US still unclear despite the Fed's aggressive rate cuts, the won was expected to stay depressed.

Philippine peso: The peso ended at 50.14 after reaching a high of 50.06 from lows of 50.21.

Manila dealers said local banks bought the peso earlier, but foreign banks and IT companies were looking to buy the US dollar at 50.10-20.

The government said the preliminary January-April budget deficit was 36,717 billion pesos, lower than its target of 38.3 billion for the period.

President Gloria Macapagal Arroyo said the Philippines was aiming to bring down its budget deficit to 130-145 billion pesos this year from its initial estimate of 225 billion pesos.

Analysts said the government needs to consolidate its chronic deficit urgently, otherwise it would inflict more damage on the economy given that total public sector debt is approaching 80 per cent of GDP.

The central bank said it would consider the inflation trend in deciding whether to lower its overnight rates following the US rate cut. The overnight borrowing rate is currently at 9.5 per cent and the lending rate at 11.75 per cent.

Taiwan dollar: The Taiwan dollar fell to six-week troughs of 32.996, tracking the yen lower. Dealers said US investment houses bought the dollar following the TAIEX's TWI poor showing.

Taiwan's central bank is expected to cut its interest rates, following the Fed's move on Tuesday.

HSBC launches Phonebanking service

The Hongkong and Shanghai Banking Corporation Limited (HSBC) in Bangladesh has recently launched Phonebanking, a state-of-the-art automated telephone banking service for its customers, says a press release.

From now on, HSBC customers will be able to access their accounts 24 hours a day from their office, home or car avoiding the need to go to the bank.

Phonebanking is easy to use, secure, fast and convenient. The facilities provided by it include: checking account balances, transferring money between accounts, details of one's last five transactions, ordering a statement or cheque book, paying bills to pre-designated third parties in local currency and enquiring about foreign exchange and time deposit interest rates and much more.

The phonebanking service is available to all HSBC customers free of charge. Joe Barker-Bennett, Manager-Personal Banking, HSBC Bangladesh, said: "Using phonebanking is as simple as using an ATM. Access to the system is through a 10-digit Phonebanking Number (PBN) followed by a 6-digit Personal Identification Number (PIN). All HSBC branches will have staff to demonstrate to customers how phonebanking works. We expect that the customers will primarily use it to check account balances, which takes about 30 seconds."

ILO for strong trade union in Bangladesh

BSS, Dhaka

A top official of the International Labour Organisation (ILO) said here yesterday that in principle ILO favoured strong and representative trade unions in Bangladesh instead of their mushrooming growth.

"A small number of strong and representative trade unions have proved to be the most effective and more beneficial to workers," Coen Kompijer, specialist on international labour standards of ILO South Asia Multidisciplinary Advisory Team (SAAT), told a discussion on ILO Declaration on Fundamental Principles and Rights at Work.

ILO and Bangladesh Bar Council jointly organised the discussion at a hotel here which was attended by lawyers committed to dealing with labour problems in their profession.

Member of Bar Council Barister Shafiq Ahmed chaired the discussion while eminent jurist Justice Nayeem Uddin Ahmed opened it as the chief guest.

Officer-in-Charge of the ILO Area Office, Dhaka, Shengjie Li, Dr Reefat Ahmed, Dr Borhan Uddin and Advocate Mohsen Rashid also spoke on the occasion.

Inaugurating the discussion, Justice Nayeem Uddin said although Bangladesh has ratified seven out of the eight fundamental conventions of ILO, the country should go for enactment of laws in conformity with the ILO.

He also said articles 27 and 28 of the constitution declared equal wages for both male and female workers. But in the practice, the guarantee is a far cry. Now, clear legislations are required to ensure equal wages for women.

Barister Shafiq Ahmed in his presidential speech said that in the context of globalisation why the developed countries are reluctant to the free flow of workers to them.

WTO breakfast meet in Paris LDCs demand fulfillment of Marrakesh pledges

UNB, Paris

As another WTO talk show is in the offing, Bangladesh, the mouthpiece for LDCs, asked the rich nations to rebuild confidence before they make fresh pledges for the world's poorest countries.

Before launching a new WTO trade round, due in Qatar next November, it must examine why the commitments to the LDCs in the Marrakesh Agreement had not been fulfilled, Bangladesh Commerce Minister Abdul Jalil said at a WTO breakfast meeting here.

The 4th WTO ministerial meeting has been planned as the Seattle meet to be futile.

The LDCs concern must be taken on board and measures taken to ensure that the mistakes of the past are not repeated. Jalil told the meeting hosted by WTO to the commerce ministers of the major OECD countries and selected developing nations.

The commitments made to the LDCs in the Marrakesh Agreement, under which the WTO was established, largely remained un-

fulfilled. As a consequence, the LDCs such as Bangladesh are suffering while the developed countries continue to get the benefits of trade.

After the Uruguay Round of trade negotiations, the LDCs have been further marginalised, with the share of world trade falling to 0.4 per cent in 1999 from 0.7 per cent in the early 1990s, he said.

Jalil demanded special OECD measures to help LDCs integrate into the world trade regime.

The developed countries should provide full market access to all products of LDCs and immediately abolish all quotas and non-tariff barriers to their exports.

Besides, the rules of origin requirements for LDC products must enable LDCs to take advantage of the market access opportunities, Jalil felt.

The developed nations should also extend technical assistance for building trade-related capacity in LDCs, which are now pursuing export-led growth policies.

The Bangladesh minister appreciated the EU decision to allow access for "everything but arms (EBA)" from LDCs and the recent initiatives of other countries, such as Japan, to provide market access. He also demanded that other developed countries provide full market access to all LDC products.

Among others, the meeting was attended by USTR Robert Zoellick, EU Trade Commissioner Pascal Lamy, South African Trade Minister Alec Erwin, Japanese Trade Minister Doo-Yun Hwang, Qatar Finance and Commerce Minister Kamal, Australia Trade Minister Mark Vaile, Singapore Trade Minister Yong-Boon and WTO DG Mike Moore.

Most participants urged immediate preparations for launching a new round of trade negotiations at Doha, Qatar, in November.

The commerce minister was accompanied by Dr Toufik Ali, Permanent Representative in Geneva.

DBH, Sonali Bank sign term loan deal

Delta Brac Housing Finance Corporation Ltd. (DBH) has signed a long-term loan agreement with Sonali Bank, says a press release.

The credit facility will allow DBH to further expand its housing finance business.

The signing ceremony took place at the Board room of Sonali Bank.

Enamul Huq Chowdhury, MD of Sonali Bank, and QM Shariful Ala, MD of DBH, signed the deal on behalf of their respective institutions. Senior management executives of both the organisations were present at the occasion.



Enamul Huq Chowdhury (3rd from left), Managing Director of Sonali Bank, and QM Shariful Ala (4th from left), Managing Director of Delta Brac Housing Finance Corporation Ltd. (DBH), signs a term-loan agreement between the two institutions.

OECD seeks ways to promote global growth, ready WTO talks

AFP, Paris

Ministers from the OECD countries searched on Wednesday for a consensus on ways to promote global growth and "prepare new World Trade Organisation (WTO) talks due later this year."

The Organisation for Economic Cooperation and Development invited finance, trade, and environment ministers from its 30 member states for two days of meetings amid minimal security despite violent protests which have disrupted similar forums in the past.

The key topics touch on almost every aspect of the global economy, including international trade, sustainable development, competition, efficient financial markets and increased access to venture capital.

WTO Director General Mike Moore expressed optimism at the OECD forum on trade issues, estimating that the chances of getting agreement on a new round of trade liberalisation talks had improved.

"We are in a much stronger po-

sition than we were 12 months ago or three months ago," he told reporters.

"In July, we should be able to isolate the difficulties that need a little bit more flexibility and political willpower."

Japanese delegate Hitoshi Tanaka, the foreign ministry's director general for economic affairs, said more efforts were needed to reach a consensus on a "balanced, broad agenda" in order to satisfy WTO member states.

The WTO is to hold the next round of negotiations in Qatar in November.

But Moore warned that unless governments were willing to compromise, those talks could fail, as happened in November 1999, when a meeting in Seattle, Washington revealed a wide gap between industrialised and developing countries.

If "we have the same agenda, the same width, depth, and intensity, that we had pre-Seattle, we will have the same results," he stressed.

"Therefore, capitals will have to adjust."

The Trade Union Advisory Committee (TUAC), a body consulted by the OECD, released last week a statement warning that unless global growth were restored, there would be high levels of unemployment.

"Unless more decisive action is taken, there is a risk that unemployment in the OECD as a whole will rise in 2001 for the first time since 1993," the statement said.

The OECD meeting and an upcoming G8 summit in Genoa "must focus on restoring and sustaining high levels of growth in their own economies and around the world."

But global expansion must be based on respect for international law and values, it stressed.

"The power of global markets needs to be counterbalanced by an effective rule-based international system, which in turn must reflect a value-based multilateral system."

Specifically, the TUAC urged Japan to "act decisively to remove the age-induced insecurity by developing reliable pension systems which would improve worker

and consumer confidence."

The European Central Bank, the statement said, "has failed to react (to an economic slowdown) and must cut rates aggressively to support growth and give confidence to the euro."

The OECD ministers or their representatives will be asked to back five recommendations to enhance world growth prospects.

The five main proposals are contained in a report "The new economy: beyond the hype", an OECD analysis of differences in countries' growth performances and factors which could enhance long-term growth prospects.

The report makes policy recommendations aimed at boosting growth.

The five proposals focus on the diffusion of information and communications technology (ICT), fostering innovation, investment in human capital, stimulating the creation of businesses, and strengthening economic fundamentals.

Governments need to adopt a comprehensive strategy involving all five areas, the OECD said.

AFP, Tokyo

The Japanese economy slipped deeper into gloom Wednesday with Finance Minister Masajiro Shiokawa saying hopes for a mid-year recovery may be undermined by the US slowdown.

Another supplementary budget, after a decade of deficit spending which has driven Japan's national debt to record levels, could not be ruled out, the 79-year-old minister said.

The government of the reformist new prime minister, Junichiro Koizumi, has insisted it will rein in official bond issuance to curb the debt. But Shiokawa argued Japan must prevent a deflationary spiral at all costs.

"Earlier, I expected the Japanese economy to hit bottom around June and then get back on a path to recovery," he told the committee on financial and budgetary affairs in parliament's lower house.

"But this view may be wrong as the rebound in the US economy is slower than expected," Shiokawa said.

The reversal of fortunes being suffered by the technology industry was also to blame for the more pessimistic outlook, he said as new data showed the first increase in the number of corporate bankruptcies in two months.

The number of failures rose 4.4 per cent year-on-year in April to 1,631 companies, victims of the prolonged downturn in the world's second-largest economy.

Total liabilities left by the collapsed firms jumped 10.8 per cent to 1.05 trillion yen (8.5 billion dollars), research agency Teikoku Databank said.

The finance minister said the government would pursue an "aggressive" fiscal policy to prevent the economy slipping into a vicious spiral of falling prices, which could entail yet another pump-priming budget.

"We are not considering a supplementary budget but, if it comes to that, we will first review the current budget items to finance it," the finance minister said.

The prime minister said after taking office last month that gov-

ernment bond issuance would be kept as low as possible, but he also said the policy could be reviewed if the Japanese economy relapsed into crisis.

"If there is panic, we will have to reconsider the target," Koizumi said after his first policy speech to parliament last week.

Shiokawa resisted calls for the government to enact a law to limit its levels of bond issuance, which have led to fears that Japan's finances could collapse should long-term interest rates take off.

"I don't think a law should be enacted for that purpose," the finance minister said, arguing the government should be free to respond to economic events.

Shiokawa also said he could tolerate the yen's weak exchange rate against the dollar, which is lifting the earnings of Japanese exporters.

"The current level of the market, with the dollar around the lower end of 123 yen, is understandable. It can be tolerated," he told a regular news conference after the parliamentary meeting.