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Star BUSINESS

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Exports face first jolt this year

Earnings lose 10 percentage points in a quarter

MONIUR 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.

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 Bangladeshi exports, accounting for \$1958.85 million or 38.88 per cent of the country's total exports.



Gerd Wahlstroem, 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.

PHOTO: FICCI

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 retracted 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 if 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 speculative attacks.

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 offshore market also eased further as demand to borrow the baht to fund dollar holdings ebbed. The one-month forward rate was expected to stay depressed.

Philippine peso: The peso ended at 9.5170 satang per dollar, but there was not much trade 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 Hyunix 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.

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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 TWII 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 (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

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 Komipier, 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 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 Reet 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.

Barrister 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 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.

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.

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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 Toufig Ali, Permanent Representative in Geneva.

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 Hirunuma, Korean Trade Minister Doo-Yun Hwang, Qatar Finance and Commerce Minister Kamal, Australia Trade Minister Mark Vaile, Singapore Trade Minister Mark Yong-Bon and WTO DG Mike Moore.

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Delhi backs KL stand against rushing into globalisation

AFP, Kuala Lumpur

Indian Prime Minister Atal Bihari Vajpayee on Wednesday wrapped up a four-day visit to Malaysia, voicing strong support for its stand against the "headlong rush into globalisation."

He also pledged that nuclear-armed India would honour a treaty declaring Southeast Asia a zone free of nuclear weapons.

Vajpayee said the 1997 Southeast Asian financial crisis showed that volatile capital flows could threaten even vibrant economies.

External prescriptions had not

necessarily guaranteed recovery or political stability, he said in an apparent reference to the International Monetary Fund whose help Malaysia refused.

"We need to draw appropriate lessons from these experiences so that developing economies do not remain vulnerable to destabilisation or stagnation from a headlong rush into globalisation," he said in a lecture entitled "India and ASEAN - shared perspectives."

The premier said India and the Association of Southeast Asian Nations "are on the same side of the socio-economic divide in the

debate on globalisation.

"Opening up our national economies to global markets cannot become a mantra at the cost of equitable development and social justice."

The passion for rapid globalisation should be tempered by compassion for its unintended victims."

The Indian premier said he and his Malaysian counterpart Mahathir Mohamad, during talks earlier, agreed on the "urgent need" for an early reform of the global financial system.

Japanese economy slips deeper into gloom

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 review its official bond issuance to curb the debt. But Shiokawa argued Japan must prevent a deflationary spiral at all costs.

The government of the reformist new prime minister, Junichiro Koizumi, has insisted it will review its 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 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 had 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.

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.

