



New chairman of Pioneer Ins

Tapan Chowdhury has been elected new chairman of Pioneer Insurance Company Limited, says a press release.

The 71st meeting of the board of directors of the company held on Tuesday elected Chowdhury for the post for 2002-03 term.

He is also the president of Metropolitan Chamber of Commerce & Industry and Bangladesh Baptist Fellowship.

Chowdhury is also the chairman of Sheltech (Pvt.) Ltd, managing director of Square Pharmaceuticals Ltd and Square Textiles Ltd, director of Ekushey Television Ltd., Square Toiletries Ltd., and Square Informatix Ltd.

India wants to restart Enron project

AFP, New Delhi

India's new power minister Anant G. Geete said Tuesday he wanted to restart production from collapsed US energy giant Enron's 2.9 billion dollars stalled power project in western India.

"The Dabhol power project has been lying idle for over 18 months. We are discussing the matter with the Maharashtra state government and hope to have a solution in two months," Geete told reporters.

The 2,184-megawatt Dabhol power facility in the western Indian state of Maharashtra was the single largest foreign investment in the country.

Enron holds a 65 per cent stake in Dabhol Power, while Bechtel and General Electric Co. each hold 10 per cent. The Maharashtra State Electricity Board holds the remaining 15 per cent stake.

Indian lenders to the controversial Dabhol Power Co. Ltd. had earlier this year invited bids for the 85 per cent equity stake held by the collapsed Enron Corp. and its associates.

But the project has got caught in claims and counter-claims over ownership of the assets.

The Dabhol power facility had also been caught in a payments dispute with its single biggest customer, the Maharashtra State Electricity Board.

Geete said he was hopeful of a settlement between lenders to the project and payments to MSEB.

Thereafter, he said he would ask the state-owned National Thermal Power Corporation to take over the operations of the plant for the time being.

ECB cuts growth forecast

AFP, Frankfurt

The European Central Bank has cut its forecast for growth in the euro zone this year, and no longer expects growth to reach 2.0-2.5 per cent by the end of the year, the bank's chief economist Otmir Issing said in a newspaper interview published Wednesday.

In the past, the ECB has repeatedly insisted the euro-zone economy has potential to grow by 2.0-2.5 per cent and growth would pick up sharply during the second half to reach that potential by the end of the year.

However, such a forecast was conspicuously absent from the bank's August monthly report, an absence widely interpreted by observers as a sign that the ECB had revised its 2002 growth forecast.

That interpretation was correct, Issing told the financial daily *Boersen-Zeitung*.

"The expected pick-up in growth has not materialised," Issing said. "Expressed another way, the expected relatively steep growth angle has become stagnation at a higher level, which must not be confused with a decline."

"But this will lead to a lower annual average growth rate," Issing said, without making any new forecast.

Issing insisted, however, that there was no risk of recession.

"A general decline in economic activity is not evident and is not to be expected," he said.

Given the renewed economic weakness, a number of observers have urged the ECB to cut euro-zone interest rates to help jump-start the region's sickly economy.

Issing would not be drawn on this point.

Developers see uneven competition with Rajuk

STAR BUSINESS REPORT

Land developers yesterday expressed concern over proposed private sector housing and high-rise building regulations, saying certain provisions in the regulations could put the private operators in an uneven competition with the regulator.

They said the industry would experience disaster if the proposed Private Sector Housing Project Regulations 2002 and High-rise Building Construction Regulations 2002 are implemented.

The developers said under the proposed Private Sector Housing Project Regulations 2002 the main layout of land development project would get Rajdhani Unnayan Kartipakha, or Rajuk, approval only after a developer becomes 100 per cent owner of the project lands.

"But what will happen if Rajuk does not approve the layout after we purchase the lands investing crores of taka, Real Estate and Housing Association of Bangladesh (REHAB) President Dr Toufiq M. Seraj told reporters at a press conference in the city.

They urged the government to formulate "transparent guidelines" to "ensure even competition between public (Rajuk) and private sector land developers" after taking opinion from professionals, experts, REHAB representatives and environmentalists.

REHAB president said through press reports, the association came to know about the provisions, which needs to be changed before finalisation.

"We want to settle the matter before it is too late. We do not want something like the Water-body Act

which has severely affected the industry."

The act should be amended and the water bodies should be specifically identified to reduce harassment of the developers by the authorities concerned, REHAB officials said.

The REHAB president termed the water bodies act to be an incomplete, confusing and self-contradictory one that has already damaged the industry.

"Land development works of different projects have been entirely suspended for the last two months following directives of the authorities," the president said.

Nasrul Hamid, senior vice-president of REHAB, said Rajuk in one hand is controlling and on the other is competing with the private land operators. "Rajuk should not play this dual role, rather it be given the responsibility of a regulator."



Deputy Managing Director of Building Technology & Ideas (BTI) FR Khan inaugurates a new project of the company, "Memento Homes", at Gulshan in the city recently.

Court reverses Indian PM's order on gas station scam

AFP, New Delhi

India's Supreme Court on Wednesday restored operating rights for more than 3,000 gas stations which had been cancelled by Prime Minister Atal Behari Vajpayee in his bid to clamp down on a major scam.

A three-judge bench headed by India's Chief Justice B. N. Kirpal ruled in an interim order that all cancelled operating rights of gas stations and cooking fuel dealerships be restored pending a final court hearing on November 12.

Vajpayee on August 9 ordered the cancellation of all allotments made since 2000 after a newspaper revealed that many of them earmarked for war widows and freedom fighters had been grabbed by relatives and friends of public figures.

The court came down heavily on

Vajpayee's government for not issuing notices to the operators before cancelling a total of 3,546 allotments.

"Dealers and distributors shall continue to operate their dealerships or distributorships as per their original contract or agreement with the oil companies concerned," the judges said in the interim order.

Vajpayee's order sparked off a plethora of litigations with hundreds of operators rushing to lower courts across the country to seek restoration.

One of the first to buck Vajpayee's ruling was Aparna Mishra, a niece of the premier himself. She refused to accept the order arguing, like most others, that her station was a legitimate operation.

The Supreme Court bench said proceedings in all petitions made to

high courts would remain suspended pending the final verdict.

The court also ordered the restoration of 483 petrol pumps, cooking gas agencies and kerosene dealerships which have been taken over by state-run oil companies after Vajpayee's orders.

"We direct possession be restored to dealers who shall maintain proper account and continue to operate their respective business as per their original contract with the oil companies," the ruling added.

Analysts say the issue involving the shady allotments is a much bigger scandal than the 1986 bribery charges in the purchase of Swedish Bofors howitzers that led to the fall of the government of then prime minister Rajiv Gandhi in 1989.

Floating exchange rate and country's banking sector

MAMUN RASHID

The finance and planning minister at a recent meeting expressed the government's intention to introduce floating exchange rate by the end of the year once the country's foreign exchange reserve attains a sustainable stage of two billion US dollars or above.

At present, there are five types of exchange rate regimes prevalent in the world -- a) pegged to single currency, like our own rates being pegged to Great Britain pound after the independence, b) pegged to a currency basket, c) limited flexibility as in the exchange rate mechanism (ERM) of the European Monetary System, d) managed flexibility where central bank sets the exchange rate but it varies occasionally in a discretionary manner based on various parameters or indicators and e) free or independent floating.

Now the country has been following a combination of currency basket pegging and managed flexibility.

Under the proposed free floating exchange rate, the price or rate of foreign currency will be determined by the market forces, such as demand and supply of the currency in the market.

In a country like ours, the exchange rate impacts the cost of imported

goods, profitability of export industries, rate of inflation, output and

employment. Therefore, the choice of exchange rate arrange-

ment also influences the extent to which an economy like ours is impacted by global booms or recessions and defines the scope for independent monetary and fiscal policies at home.

The mostly accepted argument for a floating exchange rate system is that it frees the authorities concerned regarding the balance of payments and offers them the freedom to adopt independent fiscal and monetary policies to attain internal stability and a smooth as well as stable rate of economic growth. The IMF surveys or experiences dictate that a majority of countries experienced faster GDP growth after opting to floating exchange rate regime. The change helped increase their competitiveness and improved balance of payments and decline in inflation. Survey also shows that countries which pursued floating exchange rate regime never faced any foreign exchange crisis because it absorbed the pressures of external shocks, which other exchange regimes fail to do that. Possibly there is no feasible alternative to floating exchange rate as long as world economy is subject to major turbulence. When inflation rates diverge, floating currencies can serve as a necessary shock absorber. Without the system payment imbalances would be far worse and protectionist reactions would be irresistible. At present, around 80 countries in the world are pursuing floating exchange rate regime, out of

which around 20 are developing countries. In our region, India, Pakistan and Sri Lanka's exchange rates are determined by the markets and not by the central banks.

Like post-independent Bangladesh, India too had its currency pegged

against the British pound for some time and it used to be quoted against

one hundred Indian rupees. Readers may remember that India's 1991 acute balance of payment (BOP) crisis led it to appeal to the IMF for bailout. IMF agreed to Indian appeal with a condition for introducing floating exchange rate.

The Reserve Bank of India (RBI) had depreciated the rupee substantially at that time and started to declare exchange rate bands, within which the rupee was to move. Starting from 1993, the RBI started to show signs of unwillingness to sell US dollars to the commercial banks and forced them to become market centric. Further, the banks were required to sell 40 per cent of their export earnings to the central bank determined rate. The remaining 60 per cent was being actively traded in the inter-bank money market to meet the import obligations. In 1995, the Indian rupee became fully convertible on the current account. The central bank ceased to quote exchange rate bands for the rupee movement and started using only a reference rate to determine the price of SDR. To prevent any form of speculation by the banks, the



Bangladesh Small and Cottage Industries Corporation (BSCIC) Chairman M A Mannan inaugurates a motorcycle spare parts exhibition at Nitol Centre at Mohakhali in the city yesterday.

HP posts \$2.029b net loss after merger with Compaq

AFP, Palo Alto, California

A downturn in corporate tech spending and merger costs led giant Hewlett-Packard Tuesday to report a third quarter net loss of 2.029 billion dollars, 116 million more than in the same quarter last year.

The company also reported revenues of 16.5 billion dollars, a decline of nine per cent over the same quarter last year, when revenues were 18.2 billion.

The company said it saw a per share loss of 67 cents for the third quarter ending July 31.

Tuesday's figures represent the first full quarter results from HP since its May acquisition of Compaq following a bitter battle with heirs of HP's co-founders.

In most cases, HP combined its totals with Compaq for last year pre-merger results.

Under its own accounting standards, HP listed its earnings per share of 14 cents, in line with analyst expectations, on profits of 420 million dollars.

Company chief executive Carly Fiorina, while praising the results as an accomplishment, said the company still faces challenges given "the tough economy" and continuing merger with Compaq.

Fiorina said the revenue declines were expected.

"The pattern of our revenue declines in personal and enterprise systems is consistent with our merger planning assumptions," she said in a statement.

Fiorina said HP is moving ahead with its scheduled downsizing. The company has completed its 4,740 "net workforce reductions" and is on track to hit 10,000 layoffs by the end of the fourth quarter, she reported.

Pakistan, Afghanistan agree to eliminate trade barriers

AFP, Islamabad

Pakistan and Afghanistan have agreed to eliminate obstacles to trade while increasing revenues from a crackdown on smuggling, according to a statement released after a bi-lateral meeting of ministers in Islamabad Tuesday.

Afghani Foreign Minister Abdullah Abdullah and Finance Minister Mohammad Ashraf Ghani Ahmedzai held talks with Pakistani Finance Minister Shaoukat Aziz and Commerce Minister Razzaq Daud in which a free trade agreement was also discussed.

"Pakistan offered to send an expert team to Afghanistan (to help coordinate revenue policies... the

two sides also agreed to continue discussions towards the possibility of signing a free trade agreement," the statement said.

"The meeting also discussed the introduction of a pragmatic and coordinated common tariff policy to discourage smuggling... and Pakistan offered its expertise to increase the capacity of Afghanistan to increase its revenues (and contain illicit trade."

The meeting also reviewed existing trade between the two countries.

The statement said Pakistani exports to Afghanistan last year totalled 11.6 billion Pakistan rupees (about 194 million dollars) while Afghan exports to Pakistan totalled 3.2 billion rupees.



Al-Ameen Chaudhury, secretary of the Ministry of Industries and chairman of BASIC Bank Ltd, inaugurates the newly shifted Tanbazar Branch in Narayanganj on Monday. Md Nurul Huda, managing director, Dewan Mujibur Rahman, general manager, and other officials of the bank were also present on the occasion.

US budget set to hit \$157b deficit this year

AFP, Washington

The US budget is set to plunge into a deficit of 157 billion dollars this fiscal year, far deeper than first thought, the Congressional Budget Office said Tuesday.

In the following fiscal year, which runs to September 30, the shortfall was forecast at 145 billion dollars.

The budget -- the difference between government income and spending -- is set to remain in deficit until fiscal 2006, when a 15-billion-dollar surplus is forecast, the bipartisan office said.

The new projections, based on the outcome if policies remain unchanged, represent a stunning deterioration from last year's US budget surplus of 127 billion dollars.

Since then, the government's books have been battered by sliding tax revenue, owing partly to a slowdown in the economy and tax cuts, and higher government spending, including on the military.

"The budget situation has changed dramatically since last year," the Congressional Budget office said.

"The budget deficit expected for this year has grown and the surpluses anticipated for the coming decade have diminished under the Congressional Budget Office's new baseline projections," it said.

Revenues this fiscal year are expected to slump 131 billion dollars, or 6.6 per cent, to 1.86 trillion dollars -- the steepest decline on record since 1946.

Outlays are expected to soar 153 billion dollars, or eight per cent, to 2.017 trillion dollars.

Toshiba forms joint venture with Chinese train maker

AFP, Tokyo

Japanese electronics maker Toshiba Corp. said Wednesday it will tie up with China's Dalian Locomotive and Rolling Stock Works (DLRW) to make and service electric equipment for carriages.

A joint venture firm, to be called Dalian Toshiba Locomotive Electric Equipment Co. Ltd., will be established in October with 200 million yen (1.7 million dollars), 60 per cent owned by Toshiba and a subsidiary and 40 per cent by state-run DLRW, the Japanese firm said in a statement.

"The joint venture with DLRW will further support the company's penetration of the railway system business," Toshiba said.

It added the venture was well-timed with the approach of the 2008 Beijing Olympic Games and China's planned investment in train infrastructure.

The company, which will produce propulsion systems and auxiliary power supply systems with 35 employees, expects to begin operations by next April, with capital increasing then to 400 million yen.

Koreas launch talks to relink railways, roads

AFP, Seoul

North and South Korea on Wednesday launched a new round of economic talks to re-link railways and roads that have been cut off for 50 years by the world's last Cold War frontier.

The inter-Korean economic cooperation meeting, which was resumed after a 20-month hiatus, is seen as a key test for putting the rapprochement process on the Korean peninsula back on track.

The talks in Seoul will last until Friday.

"Each side presented its own ideas about concrete schedules and ways to reconnect the cross-border railways and roads," said Cho Myong-Kyun of South Korea's unification ministry after the early session of talks.

"Both sides also exchanged opinions about technical issues." He refused to elaborate on the agenda which also included food aid given by the South to the famine-stricken North.

But the Seoul's official Yonhap news agency said the North's delegation requested rice from the South at the beginning of the closed-door session.

Seoul officials have said that unless the new talks produce any tangible progress on the delayed project of re-connecting the railways and roads, the South would not give any food aid to the North.

Head delegates have voiced cautious optimism over the second round of economic cooperation talks. The first round was held in December 2000.