

PQS to open branch at Shantinagar

STAR BUSINESS REPORT

Price Quality Service (PQS), the country's first superstore, formally opens its second branch on Thursday at Conifar Tower in Shantinagar in the city.

It will be the country's first superstore chain with the inauguration of this store. Prime Bank Managing Director Shah Md Nurul Alam is expected to open the branch.

"We strictly follow the retail prices fixed by manufacturers, besides being very rational about the price of imported products," said Executive Vice President of PQS KM Morshed at a press conference yesterday, organised in the run up to the inauguration of the PQS second branch.

Founder President and Managing Director of PQS SMA Haroon Sohel, Advisor of PQS Maqsood Rahman and PQS's sponsor Lever Brothers Bangladesh Limited representative AKM Jahiruddin Ahsan were also present at the press conference.

KM Morshed also said the store will take back any sold items within 24 hours.

PQS offers 'Reward Plus Card' to its clients. To get the card a person has to go to the superstore two times a month. PQS will reach the purchasing products of the cardholders in their houses free of cost in case of emergency.

PQS's first store was inaugurated on September 5 in 2000 at Uttara. The company is planning to open its 3rd branch in Dhanmondi in January next year.

The company has also a plan to open its branches in all the divisional headquarters gradually.

"In PQS, we have nearly 12,000 items under 28 categories, which is the single largest collection of grocery items under one roof in Bangladesh", said KM Morshed.

US consumer spending rises 1.0pc

AFP, Washington

Consumer spending, which makes up two-thirds of US economic activity, rose 1.0 per cent in July, but people's income was flat, government figures showed Friday.

It was the sharpest increase since October of last year, beating most economists' expectations.

Consumer spending had climbed 0.5 per cent in June.

But personal income was unchanged in July, lower than market expectations. Income had advanced 0.7 per cent in June.

Spending in July was driven mostly by purchases of durable goods — big-ticket items such as cars and washing machines.

Durable goods spending leapt 3.7 per cent in July, the steepest increase since October 2001. Spending on non-durable goods and services each advanced 0.6 per cent.

Disposable personal income, or income less personal tax payments, edged up 0.2 per cent in July, the smallest increase since November 2001.

Wages and salaries dropped 0.2 per cent in July to 5.022 trillion dollars, reversing a 0.8 per cent increase the previous month.

US hopes to avert EU sanctions

AFP, Washington

The United States said Friday it hoped to escape the threat of a record 4.04 billion dollars in European Union trade sanctions against its export tax breaks.

World Trade Organization arbitrators delivered a powerful weapon to the Europeans, authorizing them to impose the sanctions to counter export tax breaks granted to some US companies.

The size of the sanctions approved was excessive, the United States said. But it wanted to comply with the WTO ruling against its tax breaks and believed the need for sanctions could be removed.

"I am disappointed that the arbitrator did not accept the lower figure put forward by the United States," US Trade Representative Robert Zoellick said in a statement.

"We believe that one billion dollars is much more accurate."

The WTO said the 4.04 billion dollars in sanctions amounted to "appropriate countermeasures" against US export tax breaks for so-called foreign sales corporations (FSC).

The United States allows an estimated 4,000 to 5,000 US companies carrying out business through subsidiaries in offshore tax havens to benefit from reduced export taxes.

Open registration system for foreign ships on cards

Bid to attract investment

RAFIQ HASAN

The government is planning to open up registration system to foreign ships to attract investment in the shipping sector.

Shipping ministry has held a number of meetings to amend the existing law to open the registration process.

Under the existing law, a foreign

ship, which does not have more than fifty per cent share with a local citizen, is not allowed to get registration in Bangladesh.

Official sources said amendments to the Bangladesh Flag Vessel Protection Ordinance 1982 will also be made for the development of shipping business in the country.

Under the ordinance, no foreign

ships can carry goods if a local carrier is available.

But for opening the door, the government will have to set up strong ship survey and inspection mechanism in the country, an official of the shipping ministry said.

Otherwise, the official said, unscrupulous ship owners will take various advantages and misuse the opportunity.

He said a ship owner from Greece has already proposed to transfer registration of his ships to Bangladesh.

A few hundred foreign ships will get registration once the rules are changed and dozens of offices will be set up by foreign shipping agencies, he added.

"It will also create job opportunity for the locals," the official hoped.

India likely to miss growth target, RBI vows soft rates

REUTERS, Bombay

India is unlikely to achieve its gross domestic product growth target for the year to March 2003 because drought could dent farm sector output and stall a nascent industrial recovery, the central bank said Friday.

The Reserve Bank of India said it would persist with a soft interest rate bias, as record food grain stocks and lifetime high foreign exchange reserves would mitigate inflationary pressures from the drought.

"There is a strong possibility that the growth rate of 6.0-6.5 per cent projected ... which was based on the assumption of a normal monsoon, will not be realised," the RBI added in its annual report for its financial year ended June 2002.

It said it might review this forecast, made in April, at its mid-term monetary policy review in October.

Earlier this month, a spokes-

person for the central bank said it was likely to lower its estimate for GDP growth to five per cent following a poor monsoon.

The central bank said in its annual report that the country's favourable financial, liquidity and inflation conditions had been offset by a sombre agricultural outlook due to a patchy monsoon.

Indian agriculture is heavily dependant on the monsoon, which runs from June to September. Rainfall between June and August was 24 per cent below normal, leading to the country's worst drought in more than 15 years.

The farm sector is crucial to India's economy, accounting for about a quarter of GDP and employing about 70 per cent of its billion-plus population. Rural incomes also drive a significant proportion of demand for industrial and consumer goods.

Economists say the widespread drought could force the central bank to cut interest rates when it reviews

its monetary policy in October.

The central bank lowered the key bank rate thrice in 2001, bringing it to a three-decade low of 6.5 per cent, but has left it unchanged since then amid signs of an economic recovery. The drought could also hit public finances as provincial governments step up spending for drought relief, which, in turn, could cause the federal government to exceed its borrowing target for the year to 2003.

But this would not put significant pressure on interest rates and liquidity because the banking system is flush with funds, the central bank said.

Budgeted borrowing for the year is 1.43 trillion rupees (\$29.5 billion), of which the government has completed nearly 62 per cent without pushing yields higher.

But persistent overshooting of targets would keep yields from falling, the central bank said.

Pak stocks up as KSE allows foreign brokerages

AFP, Karachi

Pakistani stocks rose by 1.3 per cent on Friday, achieving their highest level since April 2000 as the country's largest stock exchange allowed foreign brokerages to open, analysts said.

The benchmark Karachi Stock Exchange KSE-100 index gained 23.92 points to close at 1,974.72.

In all 234 million shares changed hands, compared to 226 million Thursday.

"The Friday decision of the stock exchange made trade brisk today ... and will help boost foreign investment in the medium term," analyst Zabair Elahi of Khadim Ali Shah Securities said.

The KSE Friday allowed foreign brokerage houses to open outlets in the country with 100 per cent equity. Earlier they were required to have 40 per cent equity with a local partner.

Since August 1 the index has gained 191.42 points or 10.4 per cent as several leading companies booked profits and the government geared up its privatisation plans.

Pakistan is seeking to raise over two billion dollars through its privatisation programme by end of this year to help retire its foreign debt and revive its economy.

Japan calls off retaliation against US steel tariffs

AFP, Tokyo

Japan has called off its threat to retaliate against US safeguard tariffs on steel imports at least until a World Trade Organisation (WTO) dispute-settlement panel decides the matter, an official said Saturday.

Tokyo told Washington it would decide by Saturday whether to impose tariffs of 100 per cent worth 4.88 million dollars a year on certain US steel products in retaliation against US safeguards imposed on all steel imports in March.

But after confirming on Friday a list of Japanese products the United States said last week would be exempt from the safeguard tariffs, Japan said it would not retaliate.

"Based on 2001 figures, some 70 per cent of Japanese exports to the US will now not be affected by the safeguards," Trade Minister Takeo Hiranuma was quoted by an official as saying.

"The Japanese government positively assesses this move, and until the WTO dispute-settlement panel reaches a conclusion, we will not actually raise tariffs," Hiranuma said.

A round of exemptions by Washington on August 23 doubled the total level of exemptions for Japanese products to 553,000 tonnes, roughly 25 per cent of Japanese exports to the United States.

Another 45 per cent of the 2.2 million tonnes of annual Japanese steel exports were never targeted by the safeguard measures.



Executive Vice President of superstore Price Quality Service (PQS) KM Morshed speaks at a press conference held at a city hotel yesterday. Founder President and Managing Director of PQS SMA Haroon Sohel (right) and Lever Brothers Bangladesh Limited representative AKM Jahiruddin Ahsan (left) are also seen in the picture.

Dispute over US export tax breaks WTO arbitrators allow \$4b EU retaliation against US

AFP, Geneva

Independent arbitrators on Friday authorised the European Union to consider a record four billion dollars (4.1 billion euros) in sanctions against the United States in the dispute over US export tax breaks, the World Trade Organisation announced.

In their ruling issued here, the WTO arbitrators said 4.043 billion dollars would be "appropriate countermeasures".

Diplomats said the amount of potential sanctions, which is in line with the EU's expectations, was unprecedented.

The ruling triggered an unusual statement from WTO Director-General Mike Moore, who urged the US and EU to resolve the dispute in

"an amicable and constructive fashion".

"The European Union and the United States are among the most important members of the organisation and both hold a special responsibility to ensure the continued health and soundness of the WTO and the global trading system," he added.

The WTO rarely comments on rulings on disputes.

Trade sources insisted that under WTO rules the EU must first present a request to the WTO's Disputes Settlements Body before it gets a green light to apply the measures.

But that was largely a formality, they added, as EU sanctions against the US could only be blocked by a consensus of all the

WTO's members.

"It's up to the EU how and when they act," a trade source said.

The WTO last February confirmed that foreign service corporations (FSCs) are illegal in a final appeal ruling against the US because they provide a direct export subsidy.

The FSC system allows US companies carrying out business through subsidiaries in offshore tax havens to benefit from reduced export taxes.

There are an estimated 4,000-5,000 FSCs, mostly based in tax havens, used by US multinationals.

About half of annual US exports of 250 billion dollars (252 billion euros) benefit from the regime, according to diplomats.

Pakistan weathers shocks: ADB

AFP, Islamabad

Pakistan's economy performed well over the past financial year, despite a global economic slowdown, a prolonged drought and the costs of mobilising hundreds of thousands of troops to the Indian border, the Asian Development Bank (ADB) said Friday.

"The Pakistan economy showed great resilience during FY2002 in the face of external shocks in the wake of September 11, global recession, tensions with India and drought," it said in a statement.

"The real GDP (gross domestic

product) growth rate increased to 3.6 per cent from 2.5 per cent in FY2001, the annual inflation rate declined to 2.8 per cent from 4.4 per cent, and the current account of the balance of payments posted an unprecedented large surplus."

The ADB said GDP growth was mainly due to the agricultural sector which performed better than in the previous year despite widespread drought.

Growth in the value-added sector increased by an estimated 1.4 per cent compared to a contraction of 2.6 per cent in the previous year, the statement said.

It said large scale manufacturing suffered most from post-September 11 developments, with growth falling to four per cent from 8.6 per cent in the 2001 financial year.

But the ADB said Pakistan's fiscal balance worsened, with the consolidated budgetary deficit increasing to 7.1 per cent of GDP from 5.2 per cent the year before.

In separate figures released by Pakistan's finance ministry Friday, Pakistan recorded a 19 per cent rise in exports and a 17 per cent rise in imports year-on-year in July.

Exports reached 816 million dollars last month, while imports

reached 926 million dollars, according to a ministry statement. Non-food and non-oil imports were up 22 per cent.

Foreign exchange reserves reached 7.4 billion dollars in July, the ministry said, up from 5.56 billion dollars in early June.

Pakistan recorded a 27 per cent loss in exports over the fiscal year that ended June 30, hit by the war in neighbouring Afghanistan, with overseas buyers cancelling orders, shipments postponed and trading costs increasing with the hike in freight and insurance charges.

WB to provide \$5m loan for financial services project

BSS, Dhaka

The World Bank (WB) will provide five million US dollar credit to Bangladesh to implement a project on financial services for the poorest to be launched from September.

Team leader of the project Shamsuddin Ahmad told BSS that the project would be implemented through Palli Karma Sahayak Foundation (PKSF) and its partner organisations (POs).

He said the disbursement of the credit, which was originally scheduled to begin next year, would now start instantly to facilitate survey to be conducted by the PKSF and its POs for identifying the target audience of the project.

WB sources said the objective of the project, Learning and Innovation Loan (LIL), is to find models of sustainable interventions for reducing the number of the poorest through use of micro-credit

and other financial services to enhance their income and livelihood.

The LIL will attempt to answer questions whether micro credit is useful for the poorest and whether it can be made more effective by combining with other support services such as safety nets, training, marketing services and awareness raising.

It will experiment with alternative delivery models to extend micro-financial services to the poorest, who usually live on safety nets, both public and private, charities or irregular and low-paid jobs and hardly have the opportunity to raise their income and escape the poverty trap.

The project, to be pilot in nature, will test the hypothesis that the poorest can utilise micro-credit to improve their living standards and enhance income provided the delivery mechanisms are suitably

adapted to meet their needs and requirements.

The project will also develop effective approaches and methods for replication in wider areas of Bangladesh to cover as much of the poorest as possible.

The proposed project has three components — micro-credit, capacity building and monitoring and evaluation.

Under the project, the PKSF will create a disaster fund by deducting a small percentage of disbursement to POs and depositing the amount in a separate account.

The fund will be used to compensate borrowers for losses, caused by natural disasters and other events beyond their control.

The PKSF and POs will provide one million US dollars apart from the WB credit to execute the project that will have grace period of 10 years. The bank's credit will mature in 40 years with 0.75 per cent service charge.



Industries Minister MK Anwar speaks at the formal launching ceremony of Asian Paints (Bangladesh) Ltd, a joint venture between Asian Paints (India) Ltd and Bangladesh's Confidence Cement Ltd, at a city hotel on Friday.

Asian Paints launched

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Asian Paints (Bangladesh) Ltd, a joint venture between Asian Paints (India) Ltd and Bangladesh's Confidence Cement Ltd, was formally launched on Friday.

Asian Paints (Bangladesh), however, started its operation in April this year.

Industries Minister MK Anwar was present in the formal launching as chief guest held at a city hotel.

Board of Investment (BOI) Executive Chairman Mahmudur Rahman and Indian High Commissioner to Bangladesh ML Tripathi were present as special guests on the occasion.

The ceremony was also attended by Ashwin Dani, vice chairman of Asian Paints (India) Ltd (APIL), Vice Chairman and Managing Director of APIL Jalal Dani, Vice President (International Operations) of APIL IK Jaiswal and Confidence Cement Managing Director Shamsul Alam.

Ashwin Dani said, "We have products like emulsions, enamels, distempers and cement paints for home and touchwood for wooden furniture".

He also said the company has 'Autocare' for automobiles, 'Metacare' for industrial coatings.

"All these products are being manufactured at our state-of-the-art factory in Gazipur", he added.

Asian Paints (India) Ltd began its journey in 1942 in Mumbai.

Former WorldCom CEO made \$11.1m off Salomon IPOs

REUTERS, Washington

Top current and former WorldCom Inc. executives scored millions of dollars from hot initial public offerings made available to them by Salomon Smith Barney and its predecessor companies, records released on Friday by the US House Financial Services Committee showed.

Bernard Ebbers, the former chief executive of WorldCom, made some \$11.1 million from 21 IPOs, including \$4.56 million off the sale of Metromedia Fiber Network shares and almost \$2 million from rival Qwest Communications International Inc. Shares, according to the documents.

Developing world advocate takes WTO helm today

AFP, Bangkok

Thailand's Supachai Panitchpakdi, who takes the helm of the World Trade Organisation on September 1, is expected to offer developing nations a longed-for voice at the top table of global commerce.

The former Thai commerce minister replaces outgoing director Mike Moore of New Zealand, who poke nations saw as waving the banner of the developed world at the powerful body.

In 1999 the two were pitted in a bruising leadership race that highlighted different approaches to global trade and was finally resolved by a term-sharing compromise giving each man a three-year term.

Supachai takes up the top job at a time of political and economic crisis, as the world grapples with a prolonged slowdown compounded by the fallout of the September 11 attacks on the United States.

In Doha, Qatar, in November, the 144-member body hammered out a new round of trade liberalisation negotiations expected to last until January 2005.

It is not expected to be smooth



WTO's new director general. Assumes the World Trade Organisation's top post September 1. Supachai Panitchpakdi.

US Congress demands more info from Citigroup unit

Funnelling hot new shares to selected clients

AFP, New York

US Congressional investigators issued a subpoena Friday demanding more details from Citigroup unit Salomon Smith Barney about the way it funnelled hot new shares to selected clients.

The House Financial Services Committee is investigating Salomon's allocation of initial public offering (IPO) shares to top executives at WorldCom Inc and Global Crossing Ltd.

The subpoena sought "more specific date and pricing information about technology stock shares."

It was the second subpoena issued against Salomon Smith Barney, a unit of the giant Citigroup, by the House Financial Services Committee.

The panel is probing how Salomon Smith Barney brought hot

technology stocks to market during the Internet and high technology bull market of the late 1990s.

It is looking into allegations that the shares were made available to some firms as an inducement for investment banking business.

The committee said in a statement it also was probing possible "spinning" — an illicit practice that allows executives to go back in time and purchase new shares at the offering price after the market price has already jumped.

But Salomon Smith Barney told US lawmakers an internal investigation had found "no evidence" that it offered IPO shares to executives in a bid to gain lucrative investment banking deals.

Salomon made the statement in a response to the House Financial Services Committee after the panel subpoenaed documents from

Salomon related to its probe into the bank's IPO practices.

Documents released by the panel show that former WorldCom chief executive officer Bernard Ebbers made more than 11 million dollars from preferential IPO stocks made available by Salomon.

In a response released by the House committee, Salomon said it believed "the allocations at issue fit well within the range of discretion that regulators have traditionally accorded securities firms in deciding how to allocate IPO shares."

Salomon's response stressed that there was also a "dramatic difference" in the size and value of IPO allocations between the old institutional firm, Salomon Brothers, before Travelers purchased it in November 1997, and the now merged firm of Salomon Smith Barney.