EU may impose sanctions over US tax breaks

AFP, *Brussels*

The European Commission warned Friday that the EU could still impose multi-billion-dollar sanctions on the United States unless Washington repeals illegal tax breaks for US exporters by a March 1 deadline.

The Commission, the European Union's executive arm, said it hopes the US Congress will repeal the Foreign Sales Corporation (FSC) law in time to avoid the World Trade Organization-backed sanctions.

"They will kick in on March 1 unless there is compliance on the US side," said Arancha Gonzalez, spokeswoman for EU Trade Commissioner Pascal Lamy.

The WTO ruled in January 2002 that the FSC law flouted its rules by allowing thousands of US firms, operating through subsidiaries in offshore tax havens, to benefit from reduced export taxes.

EU foreign ministers agreed last month that tariffs starting from 200 million dollars (164 million euros) would be imposed on March 1 until the FSC tax breaks are scrapped.

The duties, on goods from meat and paper to nuclear power parts and semi-precious stones, will rise by 40 million dollars a month after March until the FSC regime is ended.

Gonzalez underlined that the March 1 deadline had been set "to make sure that we focus the mind of the US Congress ... to repeal these measures."

"We hope that compliance will take place by March 1 ... Compliance will mean we don't impose sanctions and we put to bed this very old dispute. So it's in the United States' hands," she said.

The tax row is one of a range of trade disputes causing anger on both sides of the Atlantic.

The EU last month lifted the threat of 2.2 billion dollars in trade sanctions against the United States after US President George W. Bush scrapped tariffs on steel imports.

Washington, for its part, is unhappy over EU bans on genetically modified food and growth hormones in cattle. EU scientists voted last month against approval for a type of GM sweetcorn, ensuring that that row will stay on the political agenda for some time yet.

Japan jobless rate falls

REUTERS, *Tokyo*

Japan's unemployment rate fell to its lowest in two-and-a-half years in December and deflation showed signs of easing its grip on the economy, data showed Friday but consumers remained reluctant to spend.

The fall in the jobless rate to 4.9 per cent from 5.2 per cent in November marked the first time since June 2001 that the number of unemployed has been below five per cent of the workforce.

Economists had expected the rate to stay at 5.2 per cent, and the brighter picture reinforced expectations of some that GDP, helped by strong exports, could have grown by as much as five per cent on an annualised basis in the October-December quarter.

Upgrading the government's official outlook on the jobs market, an official at the Public Management Ministry said the unemployment rate, which hit a post-war record 5.5 per cent in January 2003, was expected to keep falling at a moderate pace.

Most of the pick-up was in the services sector, particularly in the medical and welfare area, but also in the hotel, restaurant and transport industries.

PHOTO: PUBALI BANK

EA Chaudhury, chairman of Pubali Bank Limited, speaks at the first conference of regional managers and heads of corporate branches held recently in Dhaka. Among others, Managing Director of the bank Khondkar Ibrahim Khaled and deputy managing directors M Rafiqul Islam and Helal Ahmed Chowdhury are also seen.

PHOTO: ACME LABORATORIES

Afzalur Rahman Sinha, deputy managing director of The ACME Laboratories Limited, and Ravi Prasad, president and CEO of The Himalaya Drug Company in Bangalore, India, recently sign a memorandum of understanding (MoU) for a joint venture.

PHOTO: ICB

A two-day conference of the branch managers of Investment Corporation of Bangladesh (ICB) was held in Dhaka recently. Md Ziaul Haque Khondker, managing director of ICB, general managers and other officials were present.

Bahrain-US FTA talks to resume in March

AFP, *Manama*

Bahrain and the United States said Thursday they had set a second round of talks on a free trade agreement (FTA) for the first week of March after making "tremendous progress" during a just-concluded first round in Manama.

The announcement of the date of round two, which will take place in Washington, came during a joint news conference by Bahraini Finance and Economy Minister Abdullah Seif and Assistant Trade Representative Catherine Novelli, who led the US delegation to the four-day talks.

"We made tremendous progress," Novelli told reporters.

"The Bahraini side were very well prepared for the negotiations," she said, adding that "the leaderships of both countries share the same economic and political vision."

Seif also hailed the "significant progress" made during the talks and said a free trade agreement would not only bolster economic links between the two countries but also fling the doors open to foreign investment in Bahrain.

Weekly Currency Roundup

January 25-January 29, 2004

Local FX Market

Dollar started the week upward against Bangladeshi taka due to import related demand. But the rate then eased at the end of the week as the liquidity of the market improved

Money Market

Bangladesh Bank borrowed BDT 1,294.00 million by the Treasury bill auction held on Sunday, compared with BDT 3,239.00 million in the previous week's bid. The weighted average yields for 28-D t-bill was down by 12 bps from the previous rate to 4.05 percent, while the yield of 5-yr t-bills was unchanged at 7.97 percent.

The call money rate was stable in the beginning of the week between 4.00 and 5.50 percent. But call money rate shot up due to cash withdrawals ahead of the Eid-ul-Azha festival at the end of the week.

International FX Market

In the beginning of the week, US dollar steadied against the euro but fell back towards recent three-year low against the yen as traders debated how the Group of Seven would react to the greenback's recent weakness. Euro rose as high as $1.2599, having recovered from an early bout of weakness. The dollar was down by half a percent against the yen at 106.10, moving back within sight of three-year lows around 105.70 hit earlier this month. The market was keenly awaiting a two-day Federal Open Market Committee meeting starting on Tuesday.

US dollar struggled below 106 yen in the middle of the week against the Japanese currency, nearing the previous day's 3 year low as suspected Japanese intervention failed to deter mounting selling pressure on the greenback. The immediate market focus was on the battle between dollar bears and the Bank of Japan but traders were also awaiting the outcome of the US Federal Reserve's monetary policy meeting later in the session for clues as to how long US interest rates would remain on hold. Dollar was holding at 105.70 yen, just above Tuesday's three-year low around 105.45 yen. Euro rose above $1.26 level against the dollar. Sterling was also steady against the dollar after Prime Minister Tony Blair narrowly avoided defeat in a parliamentary vote late on Tuesday.

The dollar pared some of its earlier gains against the euro on Thursday after rallying to a one-week high in the wake of a signal from the US Federal Reserve that was seen as a step toward higher interest rates. The Fed left rates steady on Wednesday but surprised many in the timing of its decision to drop its pledge to keep rates low for a "considerable period", instead saying it "can be patient" about lifting its key interest rates. Against the yen, it stood at around 106, off this week's three-year low around 105.45.

At 1645 hours on Thursday, euro was at 1.2510/14, GBP was at 1.8256/59, yen was at 106.03/06 against US dollar.

- Standard Chartered Bank

PHOTO: BANGLADESH COMMERCE BANK

Bangladesh Commerce Bank Limited organised a seminar on "Artho Rin Adalat Ain-2003" recently in Dhaka. Additional Secretary of Ministry of Law, Justice and Parliamentary Affairs Kazi Habibul Awal , Managing Director of the bank Md Nurul Islam Khan, Legal Adviser Nasir Uddin Ahmed and senior executives of the bank were present.

PHOTO: RUPALI INSURANCE CO

Mostafa Golam Quddus, chairman of Rupali Insurance Company Limited, speaks at the Annual Conference-2004 of Branch In-charges of the company held at a local hotel on Tuesday. Management and Financial Consultant of the company M Azizul Huq, Managing Director PK Roy and Deputy Managing Director Md Alamgir are also seen in the picture.

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