US lawmakers debate remedies for EU sanctions

REUTERS, *Washington*

The US Senate approved a "Buy America" plan for the federal government Thursday as a way to save US jobs, while Republican leaders of the House of Representatives pushed a related bill to end costly European tariffs on US exports.

The loss of nearly 3 million jobs since President George W Bush took office has become a central campaign issue, so lawmakers in both parties are eager to go on record backing government efforts to hold onto domestic jobs.

Democratic Sen. Christopher Dodd of Connecticut, the author of the "Buy America" plan, said it would restrict federal purchases of goods or services from foreign companies.

The jobs issue has become the focus of debate on legislation to repeal a tax break for US companies that on March 1 triggered millions of dollars in European Union sanctions against US goods ranging from jewelry to textiles.

The tariffs imposed on US exports were set at 5 per cent and will rise by one percent a month. Industry groups have said they could pay as much as $4 billion this year.

The legislation would replace the offending export subsidy with a lower tax rate in an effort to stimulate business expansion and hiring, and stop the shift of US manufacturing jobs overseas.

But there remains a major disagreement between the two chambers, with the Senate ready to grant the tax cut only to domestic manufacturers and the House ready to grant an across-the-board rate cut for all US companies.

In a statement, the White House urged the Senate to pass the bill promptly. But Senate action is not expected until late March. Among the many expected amendments to the bill is one likely to draw Bush's ire -- Iowa Democratic Sen. Tom Harkin's effort to bar the administration's long-sought changes in federal overtime rules.

"This is a bill that's got to pass. We can't let these tariffs be levied against our industry," added Republican Sen. Rick Santorum of Pennsylvania, who said that passage should not be blocked, even if some of the proposed amendments were controversial.

Dodd said the main impact of his "Buy America" amendment would be felt in China and India, which have not signed international reciprocal government purchasing agreements. Purchases from European and many Pacific Rim countries, including Japan, would be exempt. And the president could waive the rule for national security reasons.

Outsourcing -- the sending of factory jobs to lower-wage foreign plants -- became a lightning rod for Democratic criticism of the White House after Bush's economic adviser Gregory Mankiw said last month that it was "something that we should realize is probably a plus for the economy in the long run."

PHOTO: BASIC BANK

Bangladesh Small Industries and Commerce Bank Limited (Basic Bank) Chairman and Industries Secretary Dr Shoaib Ahmed inaugurates the new premises of Uttara Branch of Basic Bank on Thursday in Dhaka. Among others, directors of the bank and managing director were present.

PHOTO: TRIUNE (PTE) LTD

Emirates Group President and Vice-chairman Maurice Flanagan receives an award for his performance from Charles Cuddington, managing director, Airlines Rolls Royce, recently in Singapore.

PHOTO: PUBALI BANK

Pubali Bank Limited Managing director Khondkar Ibrahim Khaled speaks at the 1st branch managers' conference of Khulna region of the bank held recently in Khulna. Deputy Managing Director (Administration) M Rafiqul Islam and Deputy Managing Director (Operation) Helal Ahmed Choudhury are, among others, seen in the picture.

PHOTO: SOCIAL MARKETING COMPANY

Dr Sukanta Sarker, country representative (in-charge) of EngenderHealth, Clifford Olson, programme coordinator, USAID, Perveen Rasheed, managing director of Social Marketing Company (SMC), Md Fazlur Rahman, director general, Directorate of Family Planning (DFP), and Dr Jafar A Hakim, director (MCH Services), DFP, pose for a photograph at the closing session of a two-day basic training programme on Injectable Contraceptive for on-graduate medical practitioners under Blue Star programme of SMC recently in Dhaka. The programme was jointly organised by SMC, DFP and EngenderHealth with USAID financial support.

New Disney chairman faces tough scrutiny

AP, *New York*

The Walt Disney Co.'s dissident shareholders gave a chilly reception Thursday to George Mitchell's appointment as chairman, saying the selection of the longtime board member proves nothing has changed at the embattled media giant.

Mitchell got the job late Wednesday after the Disney board, reeling from a contentious shareholder meeting, decided it was no longer appropriate for chief executive Michael Eisner to also serve as chairman.

The board chose Mitchell, a former U.S. senator and diplomat, as a replacement despite the fact that nearly a quarter of shareholders had voted Wednesday against re-electing him to the board.

That decision outraged critics, who believe Mitchell has done a poor job of speaking out against management.

"The board is thumbing their nose at shareholders," said Greg Taxin, chief executive of Glass, Lewis & Co., one of the institutional investment research firms that had recommended withholding support from Eisner and Mitchell.

Brazil's president calls European leaders about IMF rules

REUTERS, *Brasilia, Brazil*

Brazilian President Luiz Inacio Lula da Silva Thursday spoke with the leaders of Germany and France about proposed changes to the rules of IMF loan deals to allow for greater infrastructure investment, part of his campaign to help struggling Latin American economies.

The changes -- which Lula proposed to US President George W Bush and IMF Managing Director Horst Koehler earlier this week -- would aim to exclude investments as expenditures from the fiscal targets countries adopt under IMF loan deals.

Lula's spokesman, Andre Singer, said that current rules "compromise infrastructure initiatives in Brazil and all Latin America."

Singer said Bush and Koehler were receptive to the proposal during their conversations with Lula, as were French President Jacques Chirac and Germany's Prime Minister Gerhard Schroeder.

Brazil has a $14.8 billion loan deal with the IMF, under which it must attain a public sector primary budget surplus target equivalent to 4.25 percent of gross domestic product. Brazil wants to increase infrastructure investment without altering the formal fiscal target.

In his phone calls, Singer said Lula noted "the serious constraints that weigh on the development possibilities of these countries including on those that carry out rigorous macroeconomic adjustments.

Brazil has met strict IMF-agreed fiscal targets for several years in succession.

Singer said Chirac and Schroeder expressed support for the idea, and Lula will send a memorandum on his proposals to Schroeder.

The United States is the single biggest and most influential shareholder of the Washington-based IMF.

Lula also intends to consult British Prime Minister Tony Blair another leading IMF shareholder, about the changes.

Weekly Currency Roundup

February 28-March 04, 2004

Local FX Market

US dollar was stable in the beginning of the week. But later in the week, the demand was very high due to import payments and outward remittances. Such demand-supply gap pushed the greenback high against Bangladeshi taka during the end.

Money Market

Bangladesh Bank borrowed BDT 7,715.00 million by the Treasury bill auction held on Sunday, compared with BDT 5,379.00 million in the previous week's bid. The weighted average yields of t-bill of different tenors were almost unchanged.

The call money rate moved in narrow range-bound throughout the week. At the beginning of the week, the call rate remained between 2.00-2.50 percent. It increased slightly by the middle of the week but ended the week at 2.50-3.00 percent.

International FX Market

In the beginning of the week, the euro hovered above the previous week's lows on the dollar and held firm on the yen on Monday as expectations faded that the European Central Bank would cut rates this week to sap the euro's strength. The market turned its attention to two key events this week -- the ECB meeting on Thursday and Friday's non-farm payrolls data from the United States which will be a determinant for expectations of higher interest rates. The dollar was slightly higher at 109.20 yen, compared with around 109.10 yen in late US trade on Friday, but off its three-month high around 109.85 yen hit last week.

In the middle of the week, the dollar hit multi-month highs against major currencies, maintaining its recent Bull Run on growing optimism about a pick-up in the long dormant US jobs market. While expectations for a strong reading in US payroll date due on Friday boosted the greenback, traders also said much of the buying was technically short-covering, after the euro fell below key resistance levels versus the dollar on Tuesday. US institute of Supply Management report that employment level jumped in US helped the US dollar. The dollar had reclaimed more than six percent from last month's record lows against the euro and 5 percent from 3-1.2 year troughs versus the yen.

The dollar inched up on Thursday, keeping in sight of multi-month highs against European currencies on expectations for an upbeat reading in a key US jobs report the following day. A recovery in the long-sluggish US labour market could herald an eventual rate hike by the Federal Reserve from the current one percent and make the dollar's yield more attractive to investors. In contrast, the euro was hampered by the view that the ECB, widely expected to keep the benchmark rate at 2 percent later in the day, may slash rates in the future to shore up the euro-zone's slow growth. Sterling also slightly recovered against the US dollar. ECB will have rate announcement at 1245 GMT on Thursday. The Bank of England also announces the result of its rate meeting at 1200 GMT. The rate is expected to be left steady.

At 1515 hours on Tuesday, euro was at 1.2208/11, GBP was at 1.8348/54, yen was at 110.35/40 against US dollar.

STOCK