

War to shoot oil prices to astronomical figures: Iraq

AFP, Baghdad

US-led war on Iraq would shoot oil prices to "astronomical" figures, an Iraqi oil ministry official warned Friday.

"If an aggression takes place and companies producing crude oil are hit, this will lead to world production losses of about two million barrels per day," said Hussein Suleiman al-Hadithi, the oil ministry undersecretary.

"It will surely shake the world economy and oil distribution in the world, and will shoot oil prices in the world to astronomical figures," he told reporters.

Thailand not exploiting Cambodians, says Bangkok

AFP, Bangkok

Thailand on Friday rejected Cambodia's claims that it was exploiting its neighbour by not allowing Thais to enter the country whereas Cambodians could cross the border to buy goods.

"We were not taking advantage by reopening our border checkpoints, we reopened for Cambodians to cross to buy stuff to relieve their suffering, please understand," Deputy Prime Minister Chavalit Yongchaiyudh told reporters.

Thailand has not allowed its nationals to enter Cambodia since anti-Thai riots in Phnom Penh on January 29 destroyed the Thai embassy and several Thai-owned businesses, causing about \$54m in damage.

It sealed the border after the riots, but on February 8 allowed Cambodians to cross into the kingdom on foot for day visits, still barring Thais from entering Cambodia.

Phnom Penh ordered Wednesday that Cambodians could not go into Thailand, catching by surprise the thousands of people who usually make the visits daily to buy goods.

Quick Iraq war to limit damage: WB Chief

REUTERS, Amman

World Bank President James Wolfensohn said on Thursday he hoped the Iraq crisis could be resolved without war -- but if it happened, it should be "very quick" to minimise damage to the global economy.

"I think the hope that everybody has is that this thing can be resolved quickly, because at the moment what is affecting the global economy is an unwillingness to buy and unwillingness to invest and a sense of fear," Wolfensohn told reporters.

"So let's hope it can be resolved firstly without war, but in the event there is conflict it can be very quick," he added.

Wolfensohn spoke at the end of a long planned two-day visit to Jordan that touched on how to help shield its economy in the event Washington wages war against Iraq, the kingdom's main trading neighbour and energy supplier.

He said the impact of a war on

the global economy depended on its duration and how it would dent confidence, prompt firms to put investment plans on hold and make consumers less inclined to spend.

"First of all, it depends on how long the war is... it would obviously have an impact in terms of peoples' confidence in themselves and in the environment around them," he added.

"I think nobody likes war; it makes people very afraid so there will be some reaction as you would expect in normal commercial markets," Wolfensohn said.

"People won't go about to spend as much. People will be worried about the future, and the impact of that will depend on how long it lasts and what are the implications and how broadly it spreads," he said.

Wolfensohn predicted further oil price turbulence that could slow the global economy if the hostilities caused damage to Iraq's oil industry installations.

"There will be concerns about disruption of oil supplies, but then it depends on whether oil is destroyed or disrupted," he said.

The World Bank would help rebuild Iraq after any US-led military invasion, drawing on its experience in multibillion dollar reconstruction plans in Bosnia and Afghanistan.

"It is likely if there is a war, and if there is an issue of reconstruction, that we and the UN and a number of agencies would be called on, first of all to assess the damage and then participate in the reconstruction," the World Bank chief said.

But he said it was difficult to put a price tag on the cost of reconstruction, which could only realistically begin to be estimated after guns fall silent and damage to Iraq's infrastructure is assessed.

"But at the moment all we know is what Iraq is like today and we do not know what the extent of any destruction would be."

Seven countries to launch Asia bond fund: Thailand

REUTERS, Bangkok

Thai Deputy Prime Minister Somkid Jatusripitak said Thursday at least seven countries had pledged to help launch a fund pooled from foreign reserves of Asian countries that will be invested in Asian bonds.

Somkid declined to identify the countries expected to launch the fund, first proposed by Thailand last August, nor did he reveal its initial size.

"It is almost certain that at least seven countries will initially pool the Asia fund, and another two nations may also participate," Somkid told reporters.

"I am confident we can unveil the Asia bond fund by June."

Somkid said previously the proposed US dollar fund would invest in Asian sovereign debt. A possible corporate equivalent could be developed later.

Thai officials have said the Asian bond fund would pool a small portion of foreign reserves of Asian

governments estimated to total more than \$1 trillion, and invest them in Asian sovereign bonds.

Vast capital outflows during the 1997/98 Asian financial crisis are still fresh in the minds of the continent's leaders and the Asia bonds fund is seen as a way to reduce reliance on Western investors and financial aid.

Finance ministry officials said on Thursday they expected founders of the fund to include some members of the Association of South East Asian Nations, plus Japan, China and South Korea.

They said the fund would start at a modest size, with each country probably contributing at least \$200 million.

Thai Prime Minister Thaksin Shinawatra, who has vigorously promoted the Asia bond idea, told a World Economic Forum summit in Kuala Lumpur in October that Asia should stand on its own financial feet and no longer be at the mercy of outsiders by building a strong regional bond market.



PHOTO: MYSTIC PHARMA

Shafiqul Islam, managing director of Mystic Pharmaceuticals Limited, speaks at a function held at CIRDP auditorium in Dhaka yesterday to announce the launch of 17 products of the company. Atique Chowdhury (extreme left), director, and Babul Dhar, marketing manager of the company, were also present.

Weekly Currency Roundup

March 1-March 6, 2003

Local FX Market

US dollar showed an upward trend against Bangladeshi Taka in this week. Demand for the US dollar was moderate at the beginning. But at the end of the week dollar gained ground as demand for greenback increased backed by higher import. As a result the rate of dollar went up.

Money Market

Bangladesh Bank borrowed BDT 13,996 million by the Treasury bill auction held on Sunday. Weighted average yield of 28-D bill was up by 8 bps to 7.82 per cent, while the yield of 5-Y bill was unchanged at 11.49 per cent.

The call money rate was high at the beginning of the week. But the call rate eased by the middle and end of the week as the market experienced improved liquidity. The rate ranged between 10.00-10.50 per cent in the beginning of the week and ended the week between 9.00-9.50 per cent.

International FX Market

The dollar retreated from one-week peak against the yen by late afternoon in Asia in the middle of the week, with the "fear effect" from Japan's revelation that it had intervened to weaken its currency beginning to wear off. Most participants expect the dollar to stay in a tight range against the yen with its downside supported by possible further intervention by Japanese authorities and rises inhibited by geopolitical risks. The euro was also easier versus the dollar.

The dollar tumbled to its lowest level against the Swiss franc since late 1998 in the middle of the week and tested a four-year low against the Euro as fears grew that the United States could attack Iraq without broad international support. After a poor manufacturing data showing war concerns were harming confidence, US dollar fell to 1.3341 Swiss francs and \$1.0936 against the euro in early European trade. A very negative dollar story is building at the moment in the market. Bank of Japan intervened at around 117.50/55 yen.

Dollar remained steady in the end of the week as war talk from Washington is offset by new UN resolution proposal from the UK and markets await interest rate decision by the European Central Bank and the Bank of England. The ECB is expected to cut 25 bps or more from interest rates when it announces its decision at 1245 GMT while BOE is seen holding borrowing costs steady following a surprise rate cut in February.

At 1530 hours on Thursday, euro was at 1.0952/59, GBP at 1.6052/54 and Yen at 117.37/40 against the dollar.

-- Standard Chartered Bank



PHOTO: DCCI

Former DCCI president MH Rahman along with the participants of a workshop poses for a photograph at the certificate awarding ceremony held at the DCCI Business Institute on Wednesday. The workshop on ISO 9000 certification was organised by the DCCI Business Institute (DBI) in cooperation with Porterville College of California, the USA.

Free trade deals vital for ASEAN survival: S'pore

AFP, Singapore

Free trade agreements are vital for the Association of Southeast Asian Nations (ASEAN) to maintain its relevance under the lengthening economic shadows of giant neighbours China and India, a Singapore minister said Friday.

Initiatives for ASEAN to forge free trade links with China, Japan and India as well as efforts by individual members to negotiate bilateral free trade agreements (FTAs) should augur well for the 10-nation grouping, said Minister of State for Foreign Affairs and Trade and Industry Raymond Lim.

"This spate of activity marks a milestone in ASEAN's entry into the new era of global economic relationships where FTAs play a major part," he said at a symposium on FTAs here.

"This has a snowballing effect.

With each new initiative, ASEAN's other trading partners become even more interested in strengthening their linkages with us," he said.

Lim said the 36-year-old regional bloc is facing tougher competition from China, which has been getting the bulk of foreign direct investment into Asia, and India which is also making strides to strengthen its trade.

ASEAN also faces competition as a manufacturing base from beyond Asia, particularly Latin America, he said.

"In this competitive environment, it is vital that ASEAN remains relevant," said Lim, whose country has signed FTAs with Australia, New Zealand, Japan and the European Free Trade Association, and is awaiting the implementation of a free trade deal with the United States this year.

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