

US lays burden on EU to unlock world trade talks

AFP, Geneva

The European Union holds the key to unlocking ailing trade liberalisation talks by deciding on reforms to its farm support system, a senior US trade official said on Friday.

"The message that comes through crystal clear from all quarters is that the key to moving forward significantly right now is agriculture and the group that holds that key is the European Union," US deputy trade representative Peter Allgeier told journalists.

Allgeier was speaking the day after EU farm ministers meeting in

Luxembourg suspended talks on reforming the EU's Common Agricultural Policy until June 25, after they failed to resolve internal deadlock on the issue.

The US trade official said a solution to the long-winded internal battle among the 15 member states over reform of the subsidy system for farmers would give EU officials enough flexibility to move forward on parallel agricultural talks at the World Trade Organisation (WTO).

"This makes it very clear that the responsibility is on the member states of the European Union to decide on agricultural reform," Allgeier said.

Allgeier indicated that many countries were also holding back in negotiations on other issues on the Doha round of trade liberalisation talks at the WTO, notably on industrial products, until they saw movement on agriculture.

The US hinted at flexibility on another key obstacle at the WTO negotiations, allowing poor countries access to cheaper generic versions of essential medicines.

It is the only country to oppose the proposal.

Allgeier said Washington was not looking for a complete overhaul of a tentative agreement on the

WTO's TRIPS accord on intellectual property and medicines that the other 145 states agreed to last December.

"What we do not hear from countries is that TRIPS and medicine is an impediment in the same sense that agriculture is," he maintained.

The US is due to join about 29 other countries in Egypt later on Friday for an informal meeting aimed at smoothing the path of WTO trade liberalization negotiations, which have been deadlocked since they were launched in Doha, Qatar in September 2001.

Japan's factory activity edges down in April

AFP, Tokyo

A key barometer of economic activity in Japan edged down in April from a month earlier, the trade ministry said Friday, providing further evidence of the slack performance of the world's second largest economy.

The all-industries index, which monitors growth in a range of agricultural, manufacturing and service industries, fell 0.5 per cent, reversing a rise of 0.8 per cent in March, the Ministry of Economy, Trade and Industry.

The tertiary index, which makes up some 60 per cent of the all-industries gauge and covers sectors like retail, utilities and service, rose 0.3 per cent, thanks to growth in the mobile communications sector.

The mobile communications sector sub-index rose 25.6 per cent month-on-month, a ministry official said.

Despite the second consecutive monthly increase in service-sector activity, the official played down the outlook for the tertiary sector.

"The increase in the mobile

communications sector has been declining for two to three years. Overall, the sector is not very bad but the firmness in the sector is declining," the official said.

The transport sector sub-index fell 0.3 per cent in April because of a decline in the number of travellers heading overseas as a result of the Severe Acute Respiratory Syndrome (SARS) outbreak, the official said.

The sub-index for the wholesale/retail and restaurant businesses fell 2.7 per cent, hit mainly by slower activity in the machinery wholesale industry.

The data came three days after the Japanese government downgraded its assessment of the economy for the first time in five months as exports, investment by companies and corporate profits slide.

"While the economy remains roughly flat, weak movements have been seen recently in some areas," the Cabinet Office said Tuesday in its June report.



PHOTO: RAHIMAFROOZ

Pithak Phrombubpha, Thai ambassador in Dhaka, inaugurates Thai Fruits Promotion at Agora in Gulshan on Tuesday. The promotion of Thai fruits rambutan and mangostine will continue till the stock lasts at Agora Gulshan and Dhanmondi. Niaz Rahim, managing director of RahimAfrooz Superstores Ltd, TD Packir, head of operation, Mosharraf Hossain Mridha, head of finance and administration, Omar Faisal Chowdhury, floor manager, and Zahidul Huda of Marketing Department of the company were present at the function.

Weekly Currency Roundup

June 14-June 20, 2003

Local FX Market

US dollar continued to ease against Bangladeshi taka this week. Increased supply of the greenback combined with lower import demand eased US dollar against the taka.

Money Market:

Bangladesh Bank borrowed BDT 9,356 million by the treasury bill auction held on Sunday, compared with BDT 1,247 million in the previous bid. The rates remained almost unchanged.

The call money rate continued to ease in this week. The rate was higher in the beginning, and ranged around 10 per cent. But it eased later in the week as liquidity of the market was improved and ended the week at 6.00-6.50 per cent.

International FX Market

The dollar extended its losses against euro and GBP in the beginning of the week as rising expectations that the Federal Reserve would cut interest rates aggressively depressed it to within half a cent of record lows. Speculation swirled in the market during Asian trade that dollar's latest fall had prompted Japanese authorities to step into the forex market again to cap yen's rise against the struggling greenback. Wariness of the Bank of Japan helped the dollar against yen. Besides the upcoming rate decision by the US Federal Reserve, the market is also looking at the Consumer Price Index for May amidst growing concern in the US about deflation.

The dollar edged up against the euro in the middle of the week as the market continued to scale back expectations of an aggressive cut in the US interest rates likely in next week after the previous session's firm inflation data. Markets were also awaiting the verdict in the trial of Bank of France Governor Jean-Claude Trichet, expected at 1130 GMT. If Trichet is found guilty in the banking fraud cases, he will lose his bid to become next European Central Bank governor. Meanwhile, dealers are increasingly eyeing Wall Street being aware that US equities could emerge as a potential support for the greenback, with the broad S & P's index edging up to a fresh one-year high on Tuesday. The greenback was also a quarter per cent higher on the yen.

By the end of the week, dollar rose to one-month highs versus the euro as the market kept trimming expectations that next week's expected cut in US interest rates would be an aggressive half a point. Firmer than expected economic data have supported bets in recent days on a 25 basis point cut, rather than 50, giving support to the dollar. Strong rally in the capital market also strengthened the greenback. Against the yen dollar was up almost two-thirds of a per cent, having pushed as far as 118.77, its best level since June 9.

At 1500 hours on Thursday, euro was at 1.1635/41, GBP at 1.6733/35 and yen at 118.61/62 against the dollar. -- Standard Chartered Bank

US weekly jobless claims tumble

AFP, Washington

US job seekers shrank a little last week but remained well over 400,000, government figures showed Thursday, reflecting a stubbornly weak labor market.

The number of people making new claims for US unemployment benefits fell 13,000 to 421,000 last week, seasonally adjusted Labor Department figures showed.

The decline in claims for the week ended June 14 was roughly in line with Wall Street economists' expectations.

"The direction is good, the level is terrible," said Joel Naroff, president of Naroff Economic Advisors.

"The claims are simply too high to indicate that there is any strength in the labor market."

A four-week average of initial jobless claims eased 3,000 to 432,000.

In raw, unadjusted figures, the number of new jobless benefit claims slumped 42,410 to 378,114 in the week. There were 356,096 claims in the comparable week of 2002.

The number of people already claiming benefits for two weeks or more tumbled 62,000 to 3.72 million in the week to June 7, the latest date for which those figures are available.



PHOTO: DUTCH-BANGLA BANK

Participants attend the 19-day foundation training course of Dutch-Bangla Bank Limited at the bank's training centre in Dhaka on Monday.



PHOTO: MERCANTILE BANK

Lutfur Rahman Sarkar, chief advisor of Mercantile Bank Limited, MN Islam, deputy managing director, AKM Shahidul Haque, executive vice-president and company secretary, and participants pose for a photograph at the closing ceremony of Oracle training programme organised by the bank's training institute in Dhaka recently.

IMF asks Russia to carry out reforms for growth

AFP, Moscow

Russia must push through long-delayed structural reforms if it is to achieve its full potential in economic growth, the deputy director of the International Monetary Fund (IMF) warned on Friday.

Anne Krueger said she had urged the Russian government at an economic forum in Saint Petersburg this week to achieve an "acceleration of structural reforms" because "without reforms the growth in Russia won't reach its full potential."

The key reforms that are needed are of the financial and banking system, public administration and the natural resources monopolies, she told a press conference.

"With adequate macroeconomic policy and structural reforms I believe the Russian economy can increase further in next years," she stressed.

Krueger welcomed the government's intention to lighten the tax burden, but warned against "measures that could loosen the fiscal

stance."

There were other costs for the private sector, she noted, citing "excessive regulation and corruption," and called for more competition and a reduction in the power of the monopolies in the natural resources sector.

The introduction of a system of regulation and supervision in the banking system and greater transparency and the use of international accountancy norms by banks were "essential," she said.

Reform in the banking sector to provide access to credit for Russian business is long overdue, while the Russian economy needs diversification to reduce reliance on oil exports, Krueger warned.

"Reforms in this sector (banking sector) have stalled and the economy remains vulnerable to a downturn of oil prices," she said.

Krueger earlier this week had said the target set by President Vladimir Putin of doubling of Russia's gross domestic product within a decade was a realistic objective.

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