

EU defends farm subsidies ahead of Cancun talks

AFP, Singapore

European Commissioner for Trade Pascal Lamy yesterday defended the EU's agricultural subsidies ahead of next week's World Trade Organization (WTO) ministerial talks in Cancun, Mexico.

In a commentary in Singapore's Straits Times daily, Lamy said the talks will be an "intermediate stage" where negotiators will take stock and determine if a new round of liberalization will be achievable by the end of 2004.

"It's a big undertaking -- about 20 separate issues and 146 countries to decide how to handle them," he said, singling out agricultural trade as the main "hot ticket item" to be debated in the Mexican beach resort.

resort.

"Our objective is simple: To find a balance between market opening and preservation of a viable countryside, and not just in the European Union, but around the world," Lamy said.

"We in Europe and many others, including a number of developing countries, have made a political choice to support our agriculture because it is not just another economic activity. It plays a part in conserving the environment, food safety and animal welfare."

The Cancun conference has been called to assess progress toward trade liberalization under the Doha Development Agenda, adopted by the WTO in November 2001 in the Qatari capital Doha.

The run-up to the Cancun talks has been plagued by persistent disagreements on several key subjects, notably the future of government subsidies to agriculture.

The European Union (EU) and the United States last month reached a framework agreement aimed at reducing subsidies, and Lamy has said that EU negotiators were counting on continued cooperation with Washington in order to meet the January 1, 2005 deadline.

Several developing countries such as Brazil and India are seeking the complete elimination of agricultural export subsidies.

In his commentary, Lamy brushed aside charges that the EU was protectionist.

No APEC consensus on regional forex flexibility

AFP, Phuket, Thailand

Finance ministers from 21 Asia Pacific economies were unable yesterday to reach consensus on pushing flexible regional exchange rate policies, a snag unlikely to sit well with Washington, an APEC forum delegate said.

"There is no consensus and it's wrong to imply that there is," said the delegate at the 10th Asia-Pacific Economic Cooperation (APEC) finance ministers meeting concluding here Friday, with China's currency peg in the spotlight.

"Obviously there are some differences of views on the exchange rate matter and most likely there will be some language which will reflect this," he told AFP on condition of anonymity, referring to a joint communique due for release later in the day.

A second delegate said the members were "hammering out" the document's language through Friday morning, a sign there has

been less than unanimous views about the issue.

Flexibility has been the catchword according to US Treasury Secretary John Snow, who said Thursday there was "a good chance" the communique would mention a regional push towards freer currency markets.

"I'm hopeful that we will have a reference to the desirability of moving to flexible in there and I think there's a good chance for that," he told a press briefing Thursday.

A Thai official told AFP the Chinese yuan was one of the topics brought up by the ministers during their talks, which were focused on expanding regional economic cooperation, boosting small-and medium-sized enterprises and clamping down on terrorism-related financial networks.

"We've been talking about the 'F' word (flexibility) a lot," he said.

"There will be a mention of flexibility but only in the context that it will be considered helpful by

some APEC members."

Asked whether such a position was satisfactory for Washington, he said: "I would think Snow would be disappointed."

Snow arrived here Thursday after two days of talks in Beijing, where authorities refused to budge on their currency peg position.

Despite Beijing's intransigence, Snow insisted on putting a positive spin on his trip, stressing he was encouraged by Beijing's "reaffirmation of their (long term) policy" of eventually floating the yuan.

One source said Snow and his team were working overtime to convince APEC members to reach consensus on language in the document that would amount to regional pressure on Beijing to ease its exchange stance.

The Chinese yuan has plummeted in recent months in sync with the US currency, giving Chinese exporters an unfair advantage, according to critics.



PHOTO: CITYCELL

An official of Pacific Bangladesh Telecom Limited (PBTL) speaks at the launching of CityCell phone service in Khulna recently.

Weekly Currency Roundup

August 30-September 04, 2003

Local FX Market

The US dollar became slightly stronger against Bangladeshi taka in this week. It remained stable in the beginning of the week. Increased demand for imports strengthened the US dollar slightly at the end of the week.

Money Market

Bangladesh Bank borrowed BDT 4,073 million by the Treasury bill auction held on Sunday, compared with BDT 2,965 million in the previous week's bid. The weighted average yield of 28-D t-bill was down by 17 bps from the previous rate to 6.40 per cent. The yield 5-Y t-bills also dropped by 30 bps to 9.00 per cent.

The call money rate eased this week. In the beginning the week the rate ranged between 3.50 and 3.75 per cent. The rate eased later in the week and the stabilised at 2.75-3.00 per cent at the end of the week.

International FX Market

The yen held near recent three-month highs against the dollar in the beginning of the week, garnering support from Japan's stock announcement last week that it had conducted to intervention in August, contrary to expectations. With US investors on holiday for Labour Day, a better than expected survey of euro zone manufacturing failed to lift the euro as markets turned to comments from US Treasury Secretary John Snow.

In the middle of the week, euro hit eight-month lows against the yen and 4-1/2 month lows against the dollar as optimism about the global economy encouraged buyers of Tokyo and US stocks and sellers of euro zone bonds. The dollar held just above the previous day's 3-1/2 month lows against the yen. There was some concern of intervention by Japanese authorities to sell yen, but this was showing signs of easing as a market factor amid relentless yen strength.

The yen fell one per cent from a 3-1/2 month high against the dollar on Thursday after Japanese authorities apparently conducted heavy yen selling intervention in a renewed drive to protect exporters. Central bank in the euro zone and Britain would announce interest rate decisions later on Thursday but markets expect them to leave policy unchanged. The dollar was steady against the euro at \$1.0835, off Wednesday's four-month high, with eyes on a US ISM non-manufacturing survey for August due at 1400 GMT. The index is expected to fall to 63.0 from 65.1 in July. Five officials from the Federal Reserve give speeches in separate events due later on Thursday.

At 1440 hours on Thursday, euro was at 1.0830/33, GBP at 1.5744/49 and yen at 116.84/89 against dollar.

- Standard Chartered Bank



PHOTO: IDCOL

Dr M Fouzul Kabir Khan, CEO of Infrastructure Development Company Limited (IDCOL), and Dr Muhammad Ibrahim, executive director of Centre for Mass Education in Science (CMES), in Dhaka recently sign a participation agreement on behalf of their organisations on promotion of solar home system in rural areas.

Farm reform lies at the heart of world trade battle

REUTERS, Geneva

Trade ministers meeting for a likely bruising clash of views at next week's summit in Mexico certainly agree on one thing -- without progress on farm reform, the current round of world free trade talks is going nowhere.

Promises from rich states, particularly the European Union, that fresh negotiations on lowering barriers to business across the global economy would help prise open their farm markets were a key reason poor states and agriculture exporting countries agreed to the Doha Round of talks.

When ministers from the World Trade Organisation's (WTO) then 144 states launched that round in the Qatari capital in late 2001, world farm negotiations had been stuck in

the mud for two years.

The new round, covering everything from industrial tariffs to international trading rules and markets for services, as well as agriculture, was touted by the EU as offering the chance for trade-offs which could left the 15-nation block be more generous on the politically sensitive farm front.

But the euphoria that accompanied the accord in Doha, seen by many as a chance to inject new life into a flagging world economy, faded fast as the round missed a series of deadlines for interim deals, including agriculture.

Now trade ministers, meeting in the Mexican resort of Cancun from September 10 to 14 for what had been billed as mere "stock-taking," face the daunting task of succeeding where their envoys in Geneva

have failed -- securing accords to put the round back on trade to conclude at the end of next year.

"It is crucial. The moment that we get a deal in agriculture, other things will start to fall into place," said Uruguay's ambassador to the WTO Carlos Perez del Castillo, current president of the trade body's executive General Council.

"For many developing countries, it holds the key to their economic progress, while for many (agriculture) importing rich countries, it is highly sensitive, politically," he added.

According to the Organisation for Economic Cooperation and Development (OECD), rich state spending in support of their farmers runs at more than \$300 billion a year, which is many times more than they spend on aid to poor states.

STOCK