EU, G20 issue surprise call to resume global trade talks

AFP, *Brasilia*

The European Union and a coalition of developing nations, which clashed recently over contentious farm subsidies, issued a surprise joint statement here Friday calling for a speedy resumption of global trade talks.

Officials of 19 of the 20 nations of the so-called G20 coalition, including Brazil, China, India and South Africa, and EU negotiators were wrapping up a two-day summit here Friday ahead of a key World Trade Organization (WTO) meeting in Geneva next week.

The WTO has set a December 15 deadline to relaunch global trade talks that collapsed in Cancun, Mexico, in September amid deep rifts between rich and poor nations.

One factor in that collapse was the emergence of the G20 coalition, which demanded curbs on farm subsidies in exchange for a broader agreement on free trade rules. The G20 countries are all WTO members.

However, Friday's joint communique appeared to signal that the rift has been eased, and that the trade rivals are ready for a fresh round of talks.

"The dialogue proved to be fruitful and positive with both sides explaining their own positions in a business-like manner and acknowledging the importance of this dialogue to achieve progress in the negotiations," the two blocs said in a joint communique.

The statement said there was "general agreement that we need to intensify negotiations early next year" with a view to finalising the Doha round of trade talks by a 2004 WTO deadline.

Brazilian Foreign Minister Celso Amorin said the statement underlined "the preference for negotiation between the two blocs."

European Union Trade Commissioner Pascal Lamy, who prior to the communique's release had also struck an upbeat tone, expressed satisfaction with the talks.

"The impression is that the G20 wants to be a force for movement and it is a positive development," he told reporters.

However, the EU trade commissioner conceded tough negotiations remained, saying, "Discussions were frank open and rather precise, even if the purpose of the meeting was not to negociate."

"The impression I had is that we (the EU and G20) not only want to pursue negotiations but also to show some flexibility. If we start where we were (after Cancun) we will not succeed," Lamy said.

He said tough negotiations on market access, domestic support for agriculture and exports now lay ahead.

The EU and the G20 stressed they should "move as quickly as possible into an increased dialogue among all partners to achieve real and substantive progress in line with the Doha mandate and the timeframe defined therein," the joint statement said.

"The G20 reiterated its disposition to contribute to the success of negotiations and to move into a negotiation mode early next year," it added.

WTO director general, Supachai Panitchpakdi, who also attended the meetings here, said the talks had been "very useful."

"This meeting was indeed a very useful one. I've been encouraged by open and frank discussions," the WTO chief said.

"I hope we'll see more of those disciussions in Geneva and other places once we move back to our negociation process," Panitchpakdi said.

Both blocs agreed to continue pursuing their negotiations after the Brasilia meetings through their Geneva delegations, and at a ministerial level to achieve "a successful and timely completion of the Doha round."

Despite the optimism, some delegates said problems remained outside of the EU, G20 blocs, particularly with the United States.

"It's known that the United States also poses a problem," French foreign trade minister Francois Loos said.

Loos pointed out that Brazil exports 40 per cent of its farm products to Europe and only 10 per cent to the United States, in reference to US farm subsidies which has also been a sticking point at past gatherings.

Brazilian President Luiz Inacio Lula da Silva also raised the idea of a G20 free trade zone. That was not included in the communique, but Lamy called it an interesting notion.

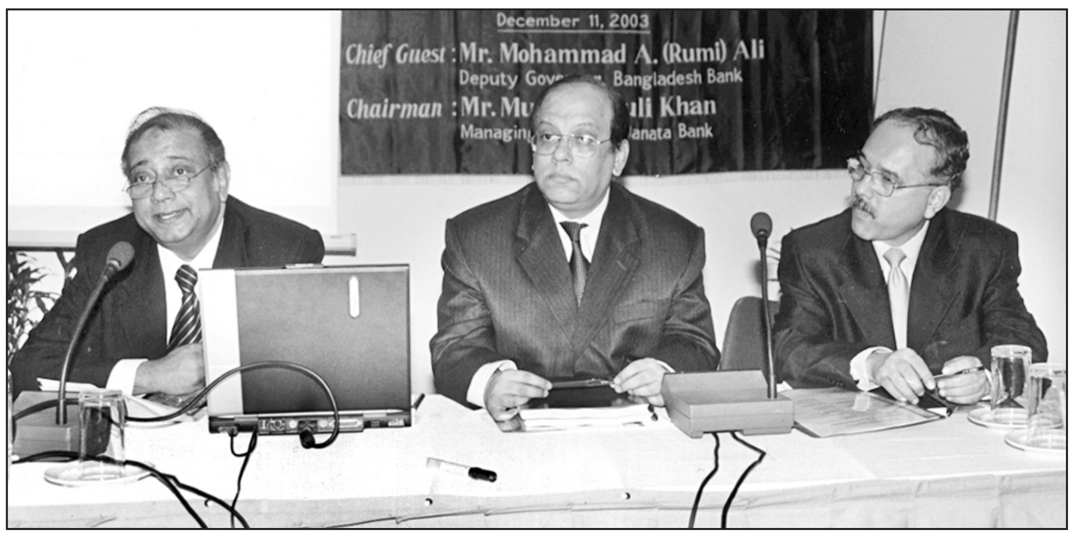

PHOTO: JANATA BANK

Bangladesh Bank Deputy Governor Mohammad A (Rumee) Ali (Left) speaks at a workshop on 'Managing Core Risk in Banking' organised by Janata Bank in Dhaka on Thursday. Janata Bank Managing Director Murshid Kuli Khan (Centre) is also seen in the picture.

Brazil proposes FTA for poor countries

Bid to reduce dependency on rich nations

REUTERS, *Brasilia*

Brazilian President Luiz Inacio Lula da Silva proposed Friday the creation of a free-trade area for developing countries as a counterweight to dependence on trade with rich nations.

Lula made the suggestion during the first meeting of the G20 poor nations since the collapse of world trade talks in Mexico in September, which many blamed on the group.

During the two-day meeting in Brasilia, the G20 strengthened its demands for cuts in trade-distorting domestic farm subsidies by rich countries, saying such reductions were key to moving stalled world trade talks forward. Lula said the group should take its cooperation further than just lobbying for concessions from rich countries.

"I think we can be more brave and think of the launch of an area of free trade between G20 countries, open to other developing countries," Lula told the ministers from 19 nations. "This could fully explore the potential which exists between us and not depend on concessions from rich countries."

Lula, whose center-left government has championed the G20, said that could take place in parallel with trade with industrial nations.

The group, which includes developing heavyweights like China, India, South Africa, Indonesia and Nigeria, says it represents more than half the world's population and two-thirds of its farmers.

It said the overriding interest of poor nations in the "Doha" round of world trade talks was for rich nations to cut an estimated $300 billion in yearly subsidies to farmers.

The group says those subsidies help produce surpluses that are dumped on world markets and block developing countries' cheap farm exports, helping to keep rural areas impoverished.

While the group urged free farm trade, it underlined its desire to get back to the negotiating table on world trade talks. World Trade Organization officials meet next week in Geneva.

The meeting showed the group's aim to gather support from developing nations was gaining momentum even though some countries have left the G20 since its creation shortly before the Mexico meeting in September.

The development group Oxfam said in a statement, "After facing enormous pressure and criticism, the G20 is showing its political force, coherence and constructive stance."

The group won support from WTO Director-General Supachai Panitchpakdi, who attended the G20 meeting.

"These people don't need to beat about the bush, they can go directly to the key issues they would like to discuss and there are quite a number of key issues," he told reporters, referring to the G20. "If you only concentrate on agriculture, they can do it."

The European Union's external trade commissioner, Pascal Lamy, held out hope to the group that Europe was more willing to remove its own subsidies than in the past.

"We are ready to zero our export subsidies," Lamy said. "What remains to be negotiated is timing and modalities."

PHOTO: THE ORIENTAL BANK

The Oriental Bank Limited organised a workshop on "training and interaction on Artha Rin Adalat Ain 2003" in Dhaka recently. Md Imamul Hoque, managing director (current charge), Md Shafiquddin, deputy managing director, and Abdul Matin, legal consultant, of the bank were present.

US consumers gloomy despite good news

REUTERS, *New York*

US consumers turned surprisingly cautious in December despite a raft of news about an improving economy, creating doubt whether the holiday shopping season would be naughty or nice for retailers.

The University of Michigan's preliminary reading of consumer sentiment dropped to 89.6 in December from November's final reading of 93.7, leaving financial markets waiting for a result of 96.0 flat footed.

"This result is hard to believe," Stephen Stanley, senior economist at RBS Greenwich Capital in Greenwich, Connecticut, said in a research note.

Stanley and other economists said the Michigan index was out of sync with other gauges of consumer confidence and would likely rebound in coming months.

While cautioning against reading too much into the report, the prospect of declining consumer confidence at this stage of the recovery is troubling because consumer spending leads to business spending, which leads to more jobs. In the last four months, the U.S. economy has finally started to produce jobs.

"It's only one month's figure, but households as well as businesses have generally taken a very cautious line in this recovery," said 4Cast research director Alan Ruskin.

"There's a general degree of skepticism out there that some of the strength we've seen in growth is generated by fiscal stimulus and that's going to wear off. And what then?"

The dip in consumer sentiment raised some concerns about the all-important holiday shopping season, although economists warn that confidence does not necessarily translate into actual spending.

Consumers won't have to contend with higher prices for some time to come though, as a separate government report showed wholesale price pressures remain muted. That suggests inflation will remain tame, as the Federal Reserve has forecast.

Wholesale prices unexpectedly dropped 0.3 percent in November as food, energy and automotive costs all tumbled. It was the first decline in six months, and confounded forecasts for a 0.1 percent rise.

Even when food and energy costs are stripped out, the core index of producer prices fell 0.1 percent.

CURRENCY

Following is yesterday's forex trading statement by **Standard Chartered Bank**

Sell		Currency	Buy		
TT/OD	BC		TT Clean	OD Sight Doc	OD Transfer
58.7300	58.7800	USD	57.8850	57.7150	57.6459
73.1658	73.2281	EUR	70.2608	70.0544	69.9706
103.5116	103.5998	GBP	100.2858	99.9912	99.8715
44.4115	44.4494	AUD	42.2676	42.1435	42.0930
0.5504	0.5508	JPY	0.5315	0.5299	0.5293
46.9277	46.9676	CHF	45.4535	45.3200	45.2657
8.0396	8.0464	SEK	7.5567	7.5345	7.5255
44.9659	45.0042	CAD	43.5848	43.4568	43.4048
7.5742	7.5806	HKD	7.4473	7.4254	7.4166
34.5572	34.5866	SGD	33.7031	33.6041	33.5638
16.1213	16.1351	AED	15.6336	15.5877	15.5690
15.7859	15.7994	SAR	15.3135	15.2685	15.2502
10.1020	10.1106	DKK	9.1754	9.1485	9.1375

Exchange rates of some currencies against US dollar

IIndian Rupee	Pak Rupee	Lankan Rupee	Thai Bath	Nor Kroner	NZ Dollar	Malaysian Ringit
45.52	57.15	96.25	39.631	6.6555	0.6961	3.80

Local Interbank FX Trading:
Local interbank market was subdued on Saturday as the international market was closed. Dollar ended unchanged against Bangladeshi taka.

Local Money Market:
Money market was active. Call money rate remained unchanged and ranged between 3.50 and 3.75 per cent.

International Market:
International market was closed on Saturday. US dollar reached lifetime low against the euro on Friday after US Treasury Secretary John Snow said the dollar's decline was "orderly," a comment traders took as a green light to sell the currency. Dollar was also not helped by the surprising drop in US consumer sentiment, in contrast to generally upbeat recent economic data. Euro reached a record high of $1.2306 before drifting back. Sterling climbed to a fresh 11 year high at $1.7509, but later dipped back, Intervention fear kept the dollar around 107.70 yen against the Japanese currency.

At the closing of New York on Friday, euro was at 1.2288/93, GBP at 1.7465/71 and yen at 107/71/77 against dollar.

This memorandum is issued by Standard Chartered Bank and is based on or derived from information generally available to the public from sources believed to be reliable. While all reasonable care has been taken in its preparation no responsibility or liability is accepted for errors of fact or any opinion expressed herein.

Asia casts more critical eye on its forex reserves

REUTERS, *Singapore*

Are Asian central banks selling out of America?

Asian central banks have built up foreign exchange reserves massively in recent years -- perhaps excessively, according to the International Monetary Fund -- and much of them have been invested in US dollar assets, such as Treasury bonds, providing cheap funding for a large part of a growing US current account deficit.

Now financial markets are worried that, after a 30 per cent rise in Asian foreign exchange reserves this year to $1.85 trillion, the tide may be turning as the pace of reserve accumulation slows and the love affair with US assets fades.

"We think Asia is starting to reach the limit in terms of foreign exchange intervention," Lehman Brothers economist Rob Subbaraman said.

The region had very little to gain from adding to its reserves, he added.

Such is the US dependency on foreign capital that just a slowdown in buying -- in which US assets would still rise, but more slowly -- could lead to a weakening dollar and rising US interest rates.

The dollar has fallen to record lows against the euro EUR and multi-year lows against a host of other currencies as worries have grown about how the United States would fund its fiscal and current account deficits.

The dollar has weakened to three-year lows against the yen JPY but other Asian currencies have seen only limited gains due to massive central bank intervention that has swelled reserves.

Taiwan and South Korea, the world's third and fourth largest holders of reserve assets, are both looking at new ways of investing their reserves. Taiwan may lend some of its $202 billion stash to local businesses, while Korea is setting up a new agency to diversify its $150 billion investment holdings.

"We are in a period where Asia is becoming more return-sensitive for the pile of reserves it is sitting on," Westpac Bank currency strategist Rob Rennie said.

The reserves largely reflect the foreign exchange intervention of regional central banks, who have tried to stop their currencies from strengthening against the US dollar to keep their exports competitively priced and their trade-driven economies growing.

As the dollar weakens, and the world economy accelerates, the market suspects Asia has already slowed its buying of US assets and is looking elsewhere to invest.

Data due on Monday from the US Treasury will show whether a sharp slowdown in capital inflows to the United States in September was an aberration or a sign of shifting investment.

In that month US capital inflows hit a five-year low of $4.2 billion -- sharply down from a record $110 billion in May.

This is not enough to cover the US current account deficit, which averaged $46.2 billion a month in the first half of 2003, let alone a budget deficit forecast to reach $480 billion in 2004.

"I wouldn't be surprised if you start to see clearer signs in October and November (data) of this coming through," Rennie said.

Int'l Steel up on first trading day

REUTERS, *New York*

Shares of steelmaker International Steel Group rose more than 25 percent on Friday, their first day of public trading.

"The economy is cyclically going forward," said Francis Gaskins of IPO Desktop.com, explaining the stock's surge. "Well, where do you want to be when that happens? You want to be in the rust belt."

The company's stock opened at $33.50, up $5.50 from its initial public offering price of $28, which was set on Thursday night. It closed Friday afternoon on the Big Board at $35.20, up $7.20, or 25.7 percent.

Due to strong demand, the Richmond, Ohio-based company increased its IPO on Wednesday to 16.5 million shares from 15 million, and also raised the price at which it expected to sell the shares.

ISG, formed last year by buyout firm WL Ross & Co. LLC, has emerged as the second-largest integrated steel company after acquiring the assets of bankrupt steel companies LTV Corp., Bethlehem Steel Corp. and Acme Steel Corp.

"When we bought LTV for about $90 million in cash plus some liabilities in February 2002, there was a lot of skepticism," ISG Chairman Wilbur Ross told Reuters. "People said how foolish it was, that it could never be made to work.... And here we are -- we've now created a company that has $3 billion of equity trading market value."

Ross said the company plans to use practically all the proceeds from the IPO to pay down its debt.

"Pretty soon we will be free of any bank debt, and that will make us quite unique as a steel company," Ross said.

The IPO arrives as integrated steelmakers -- companies that make the metal from scratch -- appear to be poised for a recovery, with steel prices rising due to increased orders and surging raw material and scrap prices.

Shares of U.S. steel companies have surged recently despite President Bush's decision last week to eliminate controversial tariffs on imported steel.

Analysts have said U.S. steelmakers are unlikely to be hurt by the early end of the duties because a weak dollar, strong steel demand from China and high shipping rates from Europe will limit foreign involvement in the market.

Singapore may adopt global anti-money laundering rules

ANN/ THE STRAITS TIMES

Property agents, lawyers and accountants here will have to ensure that their clients are not involved in money laundering, if Singapore's central bank adopts updated global guidelines aimed at fighting the flow of dirty money.

This is because the 33-member Financial Action Taskforce (FATF) on Money

Laundering has expanded obligations on keeping tabs on money-laundering beyond the traditional sphere of financial institutions, said Deloitte and Touche anti-fraud experts yesterday.

And unless non-bank companies are aware of these developments, and begin to think about them, they may be caught off-guard should regulations here change, they warned. Though anti money-laundering rules have been in place for years, global regulators have leaned harder on banks to combat the flow of dirty and terrorist monies following the Sept 11 terrorist attacks. The FATF, an inter-governmental body that develops and promotes policies to combat money laundering and terrorist financing, reviewed its existing recommendations recently, and released 40 revised recommendations in June. Among the key changes: It is not just financial institutions that need to red-flag any suspicious money flows.

Any institution that deals with the movement of money such as real estate agents, casinos, gem dealers, lawyers and accountants will also have to do the same, or risk facing punitive measures. These non-bank institutions are being included for the first time because it is felt that money can be laundered through the purchase of property, for example.

And it is no longer sufficient for a bank to know a customer at the start of a banking relationship, but rather it must monitor their risk profiles and transactions over an entire lifetime. Australia announced a few days ago that it would be drafting a new law to incorporate some of the updated FATF recommendations. The United States, Britain and other European Union countries have also implemented the bulk of the FATF proposals. In the light of this, Singapore may well follow suit. The central bank, the Monetary Authority of Singapore, has yet to make any public statement on the matter.

"The regulator in Singapore, knowing their style, will want to benchmark itself against international practice,'' said Deloitte and Touche partner Prakash Desai.Deloitte and Touche partner Tim Phillipps.