

Income inequality seen to widen in Asia

ANNI/ Philippine Daily Inquirer

Economies in Asia and the Pacific have seen a general trend of growth amidst expansion of global trade, but this has had little impact on poverty reduction as inequality of income among sectors of populations widens, an official of the United Nations Development Programme said.

While trade has engendered economic development, it also brought new risks such as the further marginalisation of the poorest countries in the region, as well as undermining the most vulnerable communities, said Sri

Lanka-based Manuel Montes, coordinator for Asia Trade and Investment Initiative at the UNDP regional centre in Colombo.

Between 1990 and 2003, gross domestic product (GDP) in East Asia and the Pacific region grew by 7.6 per cent, and South Asia GDP rose 5.4 per cent -- about twice the growth rate of other regions in the world, Montes said.

"Much of this regional growth occurred during steady trade liberalisation, when average tariff rates fell significantly and the region's share of imports and exports in world trade increased steadily," he said.

But the Asia Pacific is still home to 500 million people who have no secure supply of food, representing two-thirds of all such people in the world, Montes said.

"The challenge is to build a trading regime that is not just more balanced and equitable, but also actively combats poverty and promotes human development," he said.

"Human development" refers to expanding people's choices and enabling them to live longer and healthier. It is reckoned in terms of whether people are well-nourished and have access to safe drinking water, sanitat-

ion facilities and shelter, and whether they are provided equal opportunities to participate in economic activity through education and decent work. It also considers people's enjoyment of freedom to exercise choices and fulfill their potential as persons.

"Asia and the Pacific have embraced free trade, but free trade cannot embrace the poor without determined action on the parts of governments," Montes said. "This cannot be left only to the market to decide."



PHOTO: FIRST SECURITY BANK

The 'Half-yearly Managers' Conference-2006' of First Security Bank Ltd was held recently in Dhaka. Managing Director of the bank AAM Zakaria presided over the conference, which was attended by other senior officials.



PHOTO: SQUARE PHARMACEUTICALS

Sales and marketing personnel of Square Pharmaceuticals Ltd, among others, pose for photographs on the occasion of the company's half-yearly sales and marketing conference held recently in Kunming, China.

Japan's 16-nation FTA proposal gets support from 3 countries

AFP, Kuala Lumpur

Japan Friday won the support of Australia, New Zealand and Malaysia for its proposed 16-nation free-trade grouping with China, South Korea, India and the 10-country Southeast Asian bloc.

"We welcome the move," Michael Mugliston, head of the Asia trade task force at Australia's department of foreign affairs told reporters on the sidelines of an Association of Southeast Asian Nations (Asean) economic officials meeting.

Japanese officials on Thursday proposed the ambitious trade bloc which would take in half the world's population. The 16 nations last year formed the East Asia Summit -- seen as a precursor of an eventual giant free-trade community.

New Zealand's Martin Harvey, lead negotiator with the foreign affairs and trade ministry, also backed the idea and said the proposition should be explored.

"We are in support of moves towards greater regional integration," he told reporters.

Harvey said such a proposal had a wide range of benefits from political to free trade in goods and services, and greater investment between countries in the region.

Malaysia's Trade Minister Rafidah Aziz also gave cautious backing to the idea.

"We welcome any proposal that will create a bigger market and a bigger entity in the region," she said.

"In essence there is nothing wrong with that. But to implement it they have to look at whether it is a viable proposition, which areas (do) we want to tackle first. It is something that is not impossible."

Asean economic ministers will meet their counterparts from China, Japan, South Korea, Australia, India, New Zealand and the United States here next week in an effort to liberalise trade.

An Asean official had indicated there was a cautious response to the ambitious idea, saying it was met with silence in the closed-door meetings.

"We were looking at each other. Our silence does not mean we oppose it or we welcome it," he told AFP Thursday.

India, Japan and Australia are hoping that the East Asia Summit will be the first step towards a free-trade East Asia Community but even the concept's proponents say it is decades from reality.

Japan's first free-trade agreement, with Singapore, took effect in late 2002 and Japan has since agreed on deals with Mexico, Malaysia, Thailand and the Philippines.

It is involved in ongoing negotiations with Indonesia, South Korea and the 10-nation Asean as a whole.

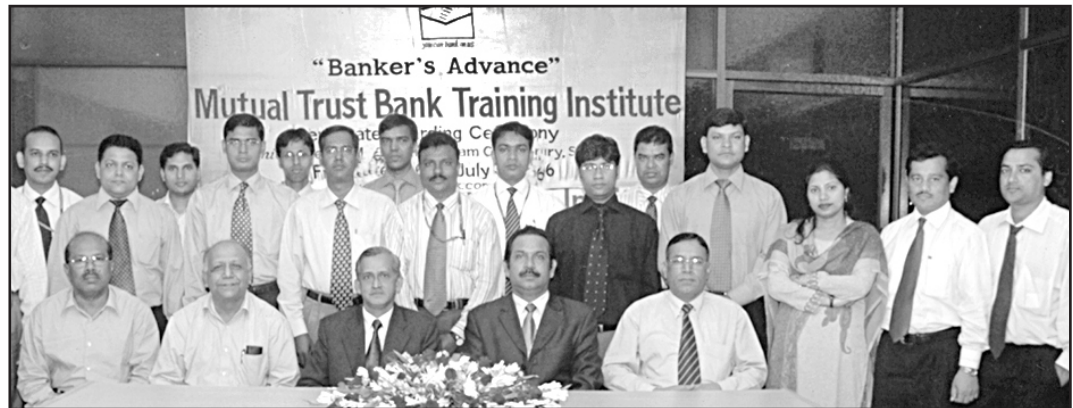


PHOTO: MUTUAL TRUST BANK

Senior officials of Mutual Trust Bank Ltd pose for photographs with the participants in a training course on 'Banker's Advance' at the concluding session of the training programme recently.



PHOTO: GREEN DELTA INSURANCE

Senior officials of Green Delta Insurance Company Ltd pose for photographs with the participants in a training course on 'Motor & Miscellaneous' at a certificate giving ceremony recently.

China raises interest rates to curb credit boom

REUTERS, Beijing

China raised interest rates on Friday for the second time in four months in the latest effort to tame a boom in credit and investment that the central bank said posed pressing problems for the economy.

The People's Bank of China (PBOC) said it had ordered an increase of 0.27 percentage point in commercial banks' benchmark one-year deposit and lending rates. The deposit rate is now 2.52 percent and the lending rate stands at 6.12 percent.

The PBOC raised lending rates by the same margin on April 27 but kept deposit rates unchanged.

"The national economy has maintained rapid growth so far this year, and the overall situation is sound, but the problems of over-rapid investment growth and credit expansion and an excessively large trade surplus are pressing," the central bank said on its Web site (www.pbc.gov.cn).

The timing of the rise caught some in the markets off guard.

Weekly Currency Roundup

August 13-August 17, 2006

Local FX Market

Demand for US dollar was stable in throughout the week and USD remained unchanged against Bangladeshi taka.

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 11,250.00 million was accepted, compared with total of BDT 8,324.00 million in the previous week's bid.

Overnight money market was steady throughout the week. The call money rate remained unchanged throughout the week and ranged between 6.50-7.00 percent.

International FX Market

The dollar rose on Friday, capping its largest one-week rise in nearly a month on the view the Federal Reserve may not be able to keep official U.S. interest rates steady for long. A surprisingly strong U.S. retail sales report for July stoked speculation that rate hikes could resume even though the Fed only on Tuesday paused its tightening campaign of some two years with benchmark short-term rates at 5.25 percent. At the beginning of the week, the euro held firm against the dollar and yen on Monday after a first estimate of growth in the single currency area for the second quarter came in stronger than expected, boosting expectations for higher interest rates. The dollar rose to its highest levels in more than two weeks against the yen after robust U.S. retail sales data last week fanned expectations the Federal Reserve might resume raising interest rates soon. The euro was up 0.14 percent against the dollar, while the dollar was up 0.21 percent against the yen. The yen was under pressure across the board as expectations rose that the Bank of Japan will keep interest rates relatively low at a time when other major central banks are tightening.

In the middle of the week, euro briefly hit a record high against the yen on Tuesday, buoyed by yield differentials, while the dollar held steady on the day. The euro rose to its highest since the single currency was launched in 1999, but was steady against the dollar. The dollar was down against the yen and was off its earlier two-week high against a basket of major currencies. In the euro zone, the interest rate outlook seems clearer than in the United States, with the European Central Bank seen tightening once or twice more this year. Benchmark rates in the euro zone compare with 5.25 percent in the United States and 0.25 percent in Japan. Data showed on Monday the euro zone economy posted its fastest growth in six years in the second quarter.

At the end of the week, the dollar hit one-week lows against the euro and yen on Thursday, having fallen sharply the previous day when tame U.S. inflation data raised expectations the Federal Reserve will keep interest rates on hold. The dollar was down 0.4 percent against the yen, off a one-week low, while it was 0.2 percent lower against the euro. The euro was down 0.2 percent against the yen having hit a record high near on Wednesday. Euro gains against the dollar were trimmed briefly after final euro zone July inflation came in below expectations, but the data was not expected to shift expectations for further European Central Bank monetary tightening this year.

-- Standard Chartered Bank

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