

US signs Tifa with Asean

AFP, Kuala Lumpur

The United States on Friday signed a trade and investment pact with Southeast Asia in a bid to bolster its influence in the region, which is growing closer to China.

The Trade and Investment Framework Arrangement (Tifa), seen as a precursor to a full free-trade agreement, was inked by US Trade Representative Susan Schwab and her Southeast Asian counterparts.

"The Asean region as you know

is a very high priority for not just US commercial and economic ties but for the overall geo-political interest and commitments of the United States," Schwab told reporters.

Washington has already signed Tifa pacts with key regional economies.

The new deal with the Association of Southeast Asian Nations (Asean) prepares the way for a free-trade agreement (FTA) between the bloc and the United States, its largest trading partner.

Both Schwab and Southeast

Asian ministers have been reluctant to say when FTA negotiations could begin, but one Asean official told AFP that they could start in 2010 when six Asean members implement trade liberalisation programs.

Schwab said the Tifa would boost economic ties between the US and Asean which with a population of 560 million was "one of the most rapidly growing and dynamic economies in the world."

"In a trading relationship that now constitutes 150 billion dollars a

year, Asean makes up the fourth largest trading partner with the United States... A Tifa is going to generate trade and investment," she said.

The US-Asean Business Community hailed the landmark pact, saying the Tifa would allow "the US government to engage more directly in the economic life of the region."

The business group met the Asean economic ministers Thursday and urged the region to boost intellectual property protection and reduce trade barriers.

It also called for standard harmonisation and steps to allow for more trade and investment.

Under the Tifa, the United States and Asean will establish a formal ministerial dialogue which is aimed at expanding trade and investment.

They have also agreed to initiate a work plan on three projects key towards starting free-trade negotiations.

They include the creation of a common Asean system for entry of goods, establishing an agreement on sanitary standards to foster agricultural trade, and harmonising standards for pharmaceutical registration and approvals.

An Asean official told AFP that the situation had changed since 2002 when work began at a painstaking pace on the US-Asean Tifa deal.

"Tifa will give political impetus to our economic relations. Talks took four years to conclude. It began in 2002 but US interest (then) was not there," he said.

"Now they realise the importance of Asean. They want to keep their influence in the region here," he said. "They are aware that trade between Asean and China is increasing."

One major irritant to the US-Asean relationship has been military-run Myanmar, which the US has heavy sanctions against over its refusal to introduce democratic reforms or release opposition leader Aung San Suu Kyi.

Schwab said Thursday that the trade embargo was unaffected by the Tifa pact, which did not change the fact that the US does not and will not trade with Myanmar.



PHOTO: JALALABAD TELECOM

Zakaria Ahmad, managing director of Jalalabad Telecom Ltd, the owning company of Bijoy Phone, and MA Hashem, chairman and CEO of Westec Ltd, the owning company of Bay Phones, shake hands after signing an interconnectivity agreement on Monday in Dhaka. Under the deal, subscribers of the phone companies will have access to each other's network. Senior officials from both the sides were also present.



PHOTO: CITIGROUP

Akbar Ali Khan, former finance secretary and alternate executive director of World Bank, inaugurates the refurbished transaction processing centre of Citibank, NA at the bank's Chittagong branch recently. Mamun Rashid, Citigroup country officer (Bangladesh), and senior officials of Citibank were also present.



PHOTO: RAHIMAFROOZ

Afroz Rahim, chairman of Rahimafrooz Group, cuts a cake to mark the fifth founding anniversary of Agora, a leading chain supermarket and a concern of Rahimafrooz Superstores Ltd, on Thursday in Dhaka. Niaz Rahim, managing director of Agora, and actress Kabari Sarwar, among others, were present at the function.

Oil prices higher in Asia

AFP, Singapore

Oil prices traded higher in Asian hours Friday after UK energy giant BP reduced output from its biggest oil field in the United States due to new technical problems, dealers said.

The production cut added to market concerns arising from possible UN sanctions against Iran and the potential for damage to Gulf of Mexico oil installations from Tropical Storm Debby.

At 3:00 pm (0700 GMT), New York's main contract, light sweet crude for October delivery was up 61 cents to 72.97 US dollars a barrel from its close of 72.36 dollars in the United States Thursday.

Brent North Sea crude for October delivery rose 47 cents to 73.15 dollars.

Analysts said the market was reacting to BP's output cut in the gigantic Prudhoe Bay oil field in Alaska due to a new pipeline leak.

"This cutback in production is an enormous amount of oil and the market is adjusting to its effect," said Mark Pervan, an energy analyst for Daiwa Securities based in Melbourne.

Prudhoe Bay, the biggest oil field in the United States, was already operating at about half its normal output of 400,000 bpd owing to a pipeline leak revealed earlier this month that had also

sent prices higher.

A company spokesman told AFP in London that output had been cut by an extra 90,000 barrels per day (bpd) at the vast field, bringing production down to about 110,000 bpd.

Tropical Storm Debby has also stoked the interest of speculative buyers due to potential risks to oil production platforms in the US Gulf Coast, while the market remained volatile after world powers reacted coolly to Iran's response to efforts on curbing its nuclear ambitions.

In line with a UN Security Council resolution, the United States and its European allies insist that Iran must stop enriching uranium by August 31 or face the threat of sanctions.

Iran has refuted allegations that its enrichment work was a mask to develop nuclear weapons, saying the research is meant for peaceful purposes.

Analysts fear that sanctions on the Islamic republic will disrupt Iran's vital oil supplies. Iran is the world's fourth largest crude producer, pumping about 4.0 million barrels of oil per day of which around 2.7 million barrels are exported.

"The market is positioning itself for UN sanctions" said Pervan.

Weekly Currency Roundup

August 20-August 24, 2006

Local FX Market

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

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 10,425.00 million was accepted, compared with total of BDT 11,250.00 million in the previous week's bid. Weighted average yield remained unchanged for all categories of T-bills sold on the day.

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

International FX Market

The dollar was little changed against the euro on Friday in a seesaw session that saw it trade mixed against the single European zone currency in thin volume. At the beginning of the week, the euro extended recent gains to hit a record high against the yen on Monday on expectations of a widening interest rate gap between the euro zone and Japan, while weak US data weighed on the dollar. The European Central Bank raised interest rates to 3 percent earlier this month and signalled more rate hikes are on the cards, with the market expecting one or two more this year. The euro had risen to its highest, up 0.4 percent on the day, since the single currency was launched in 1999. The euro has climbed 1.5 percent against the yen in August. The euro rose to a one-week high against the dollar and within a few ticks of setting two-month highs.

In the middle of the week, the euro scaled back from its record high against the yen and a two-month peak versus the dollar on Tuesday after a German economic sentiment indicator plunged to a five-year low in August. Analysts said that while the survey highlighted investor concerns, it would not curb the European Central Bank's determination to raise interest rates further from the current 3.00 percent to ward off inflation. The euro was down a third of a percent at against the dollar, while the dollar was up 0.3 percent against the yen. Yen has been under pressure as the Bank of Japan has said it will take its time hiking rates after lifting them to 0.25 percent last month in its first rise in six years. The euro staged a modest recovery against the dollar on Wednesday after slipping in the previous session. The dollar eroded gains made after hawkish comments from Chicago Federal Reserve President Michael Moskow, who said more rate rises may be needed to keep prices in check. However, the Fed is widely expected to keep rates on hold at its next policy meeting in September. After bumping up rates 17 straight times, the Fed kept the funds rate steady at 5.25 percent earlier this month, saying slower US growth would help moderate price pressures.

At the end of the week, the euro jumped half a US cent and made strong gains against the yen on Thursday after the key German Ifo business climate index surpassed expectations, leaving the European Central Bank on track for further tightening this year. The euro was up 0.3 percent on the day. It hit a two-month high earlier this week. Against the yen the euro was approaching this week's record high, and it was also up 0.3 percent against sterling.

- Standard Chartered Bank

STOCK