IMF agrees to boost voice of developing countries

AFP, *Tokyo*

IMF directors have agreed to overhaul the institution to give more influence to developing countries including China, reflecting the shifting balance of power in the global economy.

Under the plan, China, South Korea, Turkey and Mexico will see immediate increases in their voting rights as part of a broader two-year program of reform, International Monetary Fund managing director Rodrigo Rato said.

"I think that all members recognise that relevant quotas and voting shares do not adequately respond to the reality of the world economy," Rato told Asia-based reporters in an online briefing from Washington late Thursday.

The 184-member Fund, which was set up at the end of World War II and lends money to countries in deep economic difficulties, remains dominated by the United States, European countries and Japan.

Despite is growing stature as a global economic powerhouse, China has less voting power than Belgium and the Netherlands combined.

Along with its sister institution the World Bank, the IMF has come under criticism in countries such as Argentina and in Southeast Asia and Africa for prescribing severe belt-tightening measures.

Rato said there was an agreement that a new formula for quotas should be based on the size of a country's economy and its openness but the exact parameters had not yet been decided.

The quotas determine how much a member contributes to the Fund, its voting rights and access to financing, which currently totals 28 billion dollars in loans outstanding to 74 countries.

At the same time Rato said it was important to protect the voice and representation of lower income countries through an increase in the number of basic votes a member is allocated regardless of their economic clout.

African countries are worried that with the focus on fast-growing economies they could miss out on a chance to get a greater say themselves at the IMF.

The plan, approved by the 24 IMF directors late Thursday, will be submitted to the governors from each member country and is expected to be given final clearance at the Fund's annual meeting on September 19-20 in Singapore.

PHOTO: STRATEGICA

The 'BenQ-Siemens Dealers Conference 2006' was held recently in Dhaka. Aminur Rashid, director of Industry and Consumer Product Division, and Salahuddin Taimur, head of Corporate Communication and Marketing of Siemens Bangladesh, and Daniel Yu, business development manager (Asia Pacific) of BenQ-Siemens, among others, were present at the conference.

PHOTO: DHAKA BANK

Deputy managing directors of Dhaka Bank Ltd Khondker Fazle Rashid and Mohammad Abu Musa along with other senior officials pose for photographs with the participants in a 'Foundation Training Course for Bankers' at the inaugural session of the programme on Sunday in the capital.

PHOTO: ISLAMI BANK BANGLADESH

The 23rd annual general meeting (AGM) of Islami Bank Bangladesh Ltd was held yesterday in Dhaka. Chairman of the bank Kazi Harun-ar-Rashed presided over the AGM.

Islami Bank declares 25pc stock dividend

Islami Bank Bangladesh Ltd has declared a 25 per cent stock dividend for its shareholders for the year 2005.

The dividend was approved at the 23rd annual general meeting (AGM) of the bank held yesterday in Dhaka, says a press release.

Kazi Harun-ar-Rashed, chairman of the bank, presided over the AGM, which was informed that the bank earned net profit of Tk 216.24 crore as on December 31, 2005 against Tk 184.30 crore in 2004 showing a growth rate of 17.33 per cent.

Deposit of the bank increased to Tk 10,777.94 crore as on December 31, 2005 from Tk 8,784.10 crore in the previous year marking a growth of 22.70 per cent while investment of the bank stood at Tk 9,364.42 crore as on December 31, 2005 against previous year's Tk 7,585.86 crore posting a growth rate of 23.44 per cent.

The bank handled foreign exchange business to the tune of Tk 14,764.20 crore as on December 31, 2005 against Tk 11,262.40 crore in 2004 with a growth rate of 31.09 per cent.

Global economy needs boost: UN

AP, *Geneva*

Japan and Germany are failing to stimulate the world economy, leaving the United States with the difficult burden of generating enough demand for goods and services to sustain growth around the world, a U.N. report said Thursday.

But Washington's steep trade deficit means that a downturn in the U.S. economy would cause "serious repercussions" for rich and poor countries dependent upon the engine of American economic growth, the U.N. Conference on Trade and Development warned in its flagship report.

"It's a big credit to the U.S. economy that it has been providing the growth impetus while some parts of the world have not been participating, like Europe," said Supachai Panitchpakdi, the former World Trade Organization chief now heading the U.N. agency.

Supachai said, however, the time has come to issue a "warning signal" because Americans cannot continue buying so many foreign goods forever.

According to the U.N. body, the U.S. had a current account deficit of 6 percent of GDP last year.

"There needs to be a reduction in the trade deficit of the United States, that's for sure," Supachai said, adding that Japan and Germany, as two of the world's biggest economic powers, need to help shoulder the load.

He said poorer countries, who have made important gains in the last few years thanks to high export growth, will suffer if demand in other countries doesn't rise.

Holger Flassbeck, a senior official at the agency, said another country would need to take over the role as "the global engine of growth" in the next two years as Americans reach their spending limits.

The United States' largest trade deficit is with China, which enjoyed an overall surplus that surged to $160 billion or 7 percent of its GDP in 2005.

Japan and Germany, meanwhile, had surpluses of about 4 percent of GDP, a combined $355.2 billion according to the report.

But the report said China's rapid growth has benefited raw material exporters in Africa and Latin America, while the healthy trade surpluses for Japan and Germany, two of the world's most developed countries, have not contributed to export growth in poorer countries.

Robert Wade, a professor at the London School of Economics, agreed with the 237-page report's analysis. He said China has been unfairly singled out as the only culprit.

"It is Germany and Japan that are building up (trade) surpluses, and therefore they have a responsibility," he told The Associated Press.

Weekly Currency Roundup

August 27-August 31, 2006

Local FX Market

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

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 14,305.00 million was accepted, compared with total of BDT 10,425.00 million in the previous week's bid. Weighted average yield remained unchanged for all 28D T-bills, but rose for all other 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 yen tumbled to a record low against the euro on Friday, and lost ground to other major currencies after a report of tame Japanese inflation, while the dollar was little changed against its European rivals. Sterling hit its highest level against the Japanese currency since October 1998. The week began as the euro hit a record peak close to 150 yen and rose nearly half a percent against the dollar on Monday, as markets positioned ahead of U.S. data that could confirm the Federal Reserve's moderating growth outlook. The Japanese currency was also undermined against the euro and dollar by expectations the Bank of Japan will take its time raising interest rates.

In the middle of the week, the dollar pulled back from last week's one-month highs against the yen and weakened against the euro on Tuesday, as investors squared positions ahead of the release of Federal Reserve minutes from its last meeting. The euro briefly spiked up to the key 150 yen level, with yield differentials remaining a strong negative for the Japanese currency. The dollar was down 0.4 percent against the euro. Against the yen, the dollar lost more than a third of a percent on the day, retreating from last week's one-month high. One of the biggest movers among the major currencies was the Swiss franc, which hit one-week highs against the euro and the dollar. The euro hit a record high against the yen above the psychologically significant 150 yen barrier on Wednesday as investors favoured a more bullish interest rate outlook in the euro zone over Japan. The European Central Bank, when it meets on Thursday, is widely expected to signal that it will next raise from the current 3 percent in October. The euro at one point hit its highest since the single currency's launch in 1999. The Swiss franc rose to its highest since October 1998.

At the end of the week, the yen hit a record low against the euro on Thursday after weak Japanese industrial output data cemented expectations the Bank of Japan would only raise slowly in contrast to expectations of an October hike in the euro zone. The yen also hit eight-year lows against sterling and the Swiss franc after data showed output fell 0.9 percent in July from a month earlier. The euro edged up to a one-week high against the dollar, with investors poised for the European Central Bank's rate decision. The dollar climbed to a one-month high against the yen, while the euro was 0.1 percent up on the day against the dollar.

- Standard Chartered Bank

STOCK