

Star BUSINESS

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Trade friction with China may escalate, says US

REUTERS, Hong Kong

The United States sees potentially escalating trade friction with China next year as Beijing is stepping up restrictions on foreign investment and recent US Congressional elections create uncertainty, a US trade official said on Friday.

"There's potential next year for greater friction in the trade relationship," Franklin Lavin, US Under Secretary of Commerce for International Trade, told a business lunch during a visit to Hong Kong.

Lavin said the United States' record trade deficit with China was not in itself a problem but barriers to market access for US companies in

China were.

"From the Department of Commerce's point of view a pure bilateral trade deficit is not intrinsically a sign of a problem," he said. "We look at market access; can US businesses fairly compete?"

It was uncertain how US-Sino relations would be affected by Congressional elections in the United States last month, which gave the Democrats control of both the US House of Representatives and the Senate, he said.

China in the past two years had become much more ambivalent about the role of foreign direct investment in its economy and was becoming more selective and not always willing to let market forces

work, Lavin said.

Meanwhile piracy remained widespread in China and a number of items were still subject to high tariffs.

Lavin hoped the two sides could resolve these issues without the US having to resort to formal trade action but said China needed to show flexibility.

Meetings in Beijing next week between Chinese officials and a top-level US delegation led by Treasury Secretary Henry Paulson, and including US Trade Representative Susan Schwab, would help, he said.

"The most effective way to resolve trade issues is through talking," he said. "The least

effective way is formal trade action."

Massive increases in steel production capacity in China would lead to global oversupply in a few years if it continues at the current pace, resulting in dumping or subsidized trade, Lavin said.

However, he gave China generally high marks for completing its obligations in the first five years of its admission to the World Trade Organization.

He also said there was a window of opportunity in the next few months for the WTO to salvage the Doha Round of trade talks.

"The US needs to move," he said. "We are prepared to move but we're not going it alone."



PHOTO: UNITREND

Unitrend Ltd, an advertising firm, and Kallol Group of Companies entered into an agreement on Tuesday. Under the deal, Unitrend will handle all advertisements and associated works of a product of Kallol Group. Managing Director and CEO of Unitrend Zulfiqar Ahmed and Managing Director of Kallol Group Ghulam Mostafa signed the deal on behalf of their companies at a function in Dhaka while Chairman of the advertising firm Muneer Ahmed Khan, among others, was present.



PHOTO: INPACE MANAGEMENT SERVICES

Actress Munira Yousuf Memi receives award under 'HP-Agora Eid Promo' from Niaz Rahim, managing director of Rahimafrooz Superstores Ltd, the owning company of Agora, and Shabbir Shafiqullah, country business development manager of Hewlett-Packard (HP), at an award giving ceremony held recently in Dhaka.

Dollar stable before US jobs data

AFP, London

The dollar steadied against the euro on Friday before publication of key US employment figures for November.

In early European trading, the euro stood at 1.3285 dollars from 1.3280 dollars in New York late on Thursday.

The dollar rose to 115.42 yen from 115.26 yen late on Thursday.

"The (US) report will be the driving force for foreign exchange markets today and a weak 'overall' report will be needed for the market to push the dollar lower across the board," BNP Paribas currency analysts said.

The US currency has recovered some ground since hitting four-month lows against the yen and a 20-month trough against the euro earlier this week on concerns about the extent of the US economic slowdown.

Most Wall Street economists expect nonfarm payrolls to have grown by 105,000 positions last month, compared with October

payroll growth of 92,000.

The report comes just days before Federal Reserve policymakers convene to debate US interest rates.

Markets took in their stride news that the Japanese government had cut its estimate for gross domestic product (GDP) growth for the three months to September to 0.2 percent quarter-on-quarter from an initial 0.5 percent.

"Traders shrugged off the revised GDP growth figures as they are more focused on the US employment data," said Marito Ueda, a currency trader at FX Prime Corp.

"The downward revision was within expectations and there still remains a possibility that the Bank of Japan may decide on another interest rate hike this month," said Ueda.

Dealers were also digesting a 2.8 percent rise in Japan's private-sector core machinery orders in October from the previous month, which missed expectations of a 5.7 percent gain after September's 7.4 percent slump.

Weekly Currency Roundup

December 03-December 07, 2006

Local FX Market

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

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 9,000.00 million was accepted, compared with total of BDT 9,000.00 million in the previous week's bid.

The call money rate remained unchanged throughout the week and ranged between 6.25 and 6.75 percent.

International FX Market

The dollar recovered from an earlier 20 month low against a basket of currencies on Monday as investors locked in profits after shaving more than 3 percent off its value in less than two weeks. The dollar has been under pressure as a run of weak US data has boosted expectations the Federal Reserve might cut interest rates next year. On Friday, the institute for supply Management's survey of US national manufacturing in November showed a contraction in the factory sector for the first time in 3-1/2 years. In contrast, expectations for a European Central bank rate hike this week and perhaps again in early 2007 have boosted the euro, sending it to within three cents of its record high versus the dollar and to a record peak against the yen on Monday.

By the end of the week, the euro rose towards a recent 20-month peak against the dollar on Thursday as investors expected the European Central Bank to raise interest rates later and awaited signals on whether it will tighten further in 2007. The dollar was under pressure as China's central bank warned of the dollar's downside and ahead of a closely-watched US jobs report on Friday. The yen was broadly firm following recent hawkish comments from bank of Japan policymakers. Some expect the ECB to raise rates further after an expected hike today to 3.5 percent, although a recent surge in the euro makes it less clear what message ECB President Jean-Claude Trichet will send about rates at his news conference later. The euro was steady at 153.01 yen, consolidating this week's gains to an all-time high of 154.17. The yen was up around 0.3 percent against dollar, close to this week's four-month peak.

-Standard Chartered Bank



PHOTO: STANDARD CHARTERED

Standard Chartered Bank and Etcetera Bangladesh Pvt Ltd recently signed a memorandum of understanding (MoU) under which clients of the bank will be able to pay their bills through credit card at the Dhanmondi and Gulshan outlets of Etcetera. Ahsan Afzal, head of Unsecured of the bank, and Syed Maher Murshed, managing director of Etcetera Bangladesh, signed the MoU on behalf of their companies.

Oracle offers \$1.2b for India's i-flex

REUTERS, Mumbai

Oracle Corp boosted its offer for Indian banking software provider i-flex Solutions Ltd to \$1.3 billion, driving up i-flex shares 17 percent to a record high.

Oracle, the world's biggest maker of database software, said it wanted to take its stake in i-flex to 90 percent and raised the price it is willing to pay to 2,100 rupees per share, up 42 percent from 1,475 rupees previously.

The revised offer, which Oracle said was final, represented a 20 percent premium to i-flex's closing price on Thursday. It values i-flex at 49 times forecast earnings, versus a sector average of Indian application software makers of 24.

STOCK