

EU to impose sanctions on US Monday: Lamy

REUTERS, Washington

European Union Trade Commissioner Pascal Lamy said Thursday the EU would slap a 5 per cent duty on more than \$4 billion worth of US exports beginning on Monday because of Congress' failure to repeal tax breaks declared illegal by the World Trade Organisation.

"The picture is now quite clear. Countermeasures will go into effect by next Monday," Lamy told the European American Business Council after meeting with the chairman of the US House of Representatives Ways and Means Committee.

The retaliation, the first imposed by the EU on the United States, will hit a wide array of agricultural and manufactured goods ranging from buckwheat to nuclear reactor parts. Lamy said the sanctions would remain in effect until the US Congress passes legislation to repeal the tax breaks.

House Democratic leaders seized on the looming retaliation as an example of failed Bush administration trade policies, which they said have contributed to 2.9 million manufacturing job losses since

January 2001.

They called on President George W Bush to "replace the disarray in US trade policy with a comprehensive pro-jobs and pro-growth strategy for manufacturing, textile and apparel industries and the American economy as a whole."

The EU set the March 1 deadline for US action last fall. The sanctions begin with a 5 per cent duty on more than \$4 billion worth of US exports to Europe. The duty will increase by 1 percentage point each month up to a cap of 17 per cent.

EU officials estimated the monthly value of the duties would rise from \$16.5 million in March to \$46.4 million in December for a 10-month total of about \$315 million.

If the duties were to stay in effect at 17 per cent, they would collect about \$667 million annually -- assuming there was no impact on trading patterns, the officials said. The tax breaks at the center of the dispute benefit large US exporters like Boeing and Microsoft. The WTO has ruled, in a case dating back to the late 1990s, that the measures are illegal export subsidies.

The US Senate is expected to begin debate next week on a bill to repeal the provisions and use an estimated \$50 billion in savings to lower the corporate tax rate for manufacturers to 32 per cent, from 35 per cent currently.

The outlook for action on a similar bill in the House is less certain. However, industry officials are hopeful lawmakers can agree on a bill in the coming months to send to Bush.

The largest category of US goods hit by the sanctions is jewelry, with an estimated \$1.43 billion worth on the list.

Other items include machinery, paper products, leather, meat and dairy products, fruits and vegetables, grains, cotton and textiles, tools, toys, games and sporting equipment.

WTO Director-General Supachai Panitchpakdi told reporters after a speech at the National Press Club he hoped the United States and EU could resolve the trade spat soon.

With world trade talks showing new signs of life, "I don't want the conflict to overflow to other areas," he said.

Japan's jobless rate rises to 5pc in January

AFP, Tokyo

Japan's jobless rate in January rose to 5.0 percent, up 0.1 point from the previous month, the government said Friday.

The unemployment rate for men stood at 5.2 percent, up 0.2 point from a month earlier, while female unemployment rate fell 0.1 point to 4.6 percent, the Ministry of Public Management, Home Affairs, Posts and Telecommunications said.

The number of people without jobs totalled 3.23 million, down 340,000 from a year earlier, marking the eighth straight month of decline, the ministry said.

The ratio of job offers to job seekers stood at 0.77 in January, unchanged from December, the Ministry of Health, Labor and Welfare said in a separate report.

Honda, Mazda to recall 861,000 vehicles worldwide

AFP, Tokyo

Japanese automakers Honda and Mazda said Thursday they will recall for free repairs a total of 861,000 cars they have sold at home and abroad.

Honda Motor Co. Ltd. notified the transport ministry it will recall 847,000 units of six models -- the Civic, Ferio, Hybrid, Fit, Stepwagon and Stream -- which were built between August 2000 and December 2001, a company spokesman said.

Honda will fix a fault in the switch controlling the front headlights at a total cost of 5.77 billion yen (52.8 million dollars), she said.

The global total includes 190,424 units sold in Japan, which will cost 1.23 billion yen to recall and fix, she added.

Separately Mazda Motor Corp. said it will recall 6,559 RX-8 cars sold in Japan because of two defects.

The company had identified a problem with the car's manual transmission system that can make a heat shield plate crack or come loose, and a defective shock absorber in the front wheels that can make components come loose while driving, a Mazda spokesman said.



PHOTO: CITIBANK NA

(From left to right) Mohammad Mamdudur Rashid, senior country operations officer and chief financial officer of Citibank NA, Bangladesh, Nobogopal Banik, general manager of Bangladesh Bank, Bogra, Harunur Rashid Chowdhury, general manager (Anti-money Laundering Department) of Bangladesh Bank, and Shawar Jamal Nizam, manager compliance of Citibank NA, pose for a photograph at a workshop on 'Money Laundering and It's Prevention in Bangladesh' held in Bogra on Wednesday.

Economic trends, G7 pressure point to Asia forex shift

REUTERS, Singapore

The first stirrings of inflation across Asia are reinforcing the message from a swelling chorus of international policy makers: It's time for the region to let its currencies rise.

For risk-averse Asian central banks, currency appreciation might be more of a story for 2005 than for the coming months.

Wary of losing export competitiveness, Asian policy makers will be reluctant to countenance higher exchange rates until Japan stops intervening massively to hold down the yen and China lets the yuan rise by widening the currency's trading band.

But with investment and credit data signalling that domestic demand is combining with exports to form a broad-based platform for growth, economists say the balance of risk is starting to tilt decisively in favour of firmer, not weaker, currencies.

Indeed, some economists interpreted the recent easing of derivative trading curbs by South Korea as tacit endorsement of a stronger won. And the architect of Malaysia's five-year-old fixed exchange rate peg openly discussed last week

how much farther the dollar would have to fall before Kuala Lumpur reviewed the link -- a presumed precursor to revaluation.

Gordon de Brouwer, an international economics professor at the Australian National University in Canberra, said he detected a growing recognition in Asia that the burden of the currency adjustment needed to reduce the large US current account deficit cannot fall almost exclusively on the euro zone. "I don't know how it will play out, but people are walking away from being too dogmatic about having fixed regimes," de Brouwer said.

Policy makers from the Group of Seven industrial nations, who renewed their call for greater exchange rate flexibility earlier this month, have kept up the pressure on Asia this week.

Rather than pleading with Asia to act for the sake of the global economy, officials cleverly reminded governments that it would be for their own good to stop adding to the \$2 trillion in reserves they have accumulated through currency intervention and parked mainly in US debt.



PHOTO: SIBL

Social Investment Bank Limited (SIBL) Chairman Ahmed Akbar Sobhan speaks at the Branch Managers' Conference of the bank held at a local hotel on Thursday. Directors of the bank and Managing Director Kazi Anwarul Mahub were present.

Weekly Currency Roundup

February 21-February 26, 2004

Local FX Market

Dollar got stronger against Bangladeshi taka throughout the week. It remained steady in the beginning of the week but high import demand and increased profit-remittances made the dollar stronger against the Bangladeshi taka.

Money Market:

Bangladesh Bank borrowed BDT 5,379.00 million by the Treasury bill auction held on Sunday, compared with BDT 2,950.00 million in the previous week's bid. The weighted average yields of t-bill of different tenors were almost unchanged.

The call money rate was stable throughout the week. At the beginning of the week, the call rate remained between 2.00 and 2.50 percent. It increased slightly by the middle of the week but ended the week at 2.00-2.50 percent.

International FX Market

The dollar hit a three-month high against the yen in the beginning of the week and then tumbled, reversing some of a broad-based rally at the end of last week. The dollar climbed to its highest in nearly three-week on Monday to around \$1.2450 per euro before tumbling a cent to \$1.2560. It staged a two-cent rally on Friday after touching a record low of \$1.2927 earlier in the week. Against the yen, the dollar was down at 108.13 yen, having touched a three-month high around 109.40 in the early Asian trade.

The dollar maintained a negative bias by the middle of the week after soft US consumer sentiment data raised concerns the Federal Reserve would take longer to lift interest rates from unattractive low levels. The sharp decline in US consumer confidence in February in data released on Tuesday implied a growing disenchantment with the economy among US consumers, due to a lack of new jobs. The US Conference Board's consumer confidence dropped to 87.3 in February from 96.4 in January. The dollar was trading at \$1.2670 per euro, steady from late New York levels. Against the yen, dollar stood at 105.50 yen.

The dollar rose to a three-week high on the euro on Thursday, extending recent gains as traders gave more credence to growing expectations of its recovery and took note of euro zone concerns on euro strength. The dollar also hit near 3-month highs versus the yen after getting a lift on Wednesday from speculation that the European Central Bank (ECB) might intervene in the currency market or consider easing monetary policy. Euro was 0.4 percent down from late New York level at \$1.2440, nearly 5 cents below this month's record high. Against the yen, dollar rose half a percent to 109.57 yen, its best performance since December.

At 1530 hours on Thursday, euro was at 1.2435/38, GBP was at 1.8635/42, yen was at 109.62/67 against US dollar.

- Standard Chartered Bank



PHOTO: ENERGYPAC

Science and Information and Communication Technology Minister Dr Abdul Moyeen Khan speaks at a seminar organised jointly by RollsRoyce, a leading engine manufacturer in the world, and its local agent Energypac Power Generation Limited, to mark the launching of new engines in local market recently in Dhaka. Among others, Norwegian ambassador to Bangladesh, British deputy high commissioner in Dhaka and Energypac Power Generation Ltd CEO are seen.

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