

US seeks market access, urges India to allow FDI in retailing

AFP, New Delhi

US Ambassador to India David C. Mulford on Friday renewed Washington's demands for greater market access and urged India to allow foreign direct investment (FDI) in its booming retail sector.

The United States has been engaging India in the World Trade Organisation (WTO) to "further open international markets and to mitigate trade distortions, particularly in agriculture," Mulford told a trade fair in New Delhi.

"The US is one of the worlds most open economies and India one of the most closed," Mulford said at the US farm product pavilion.

"In agriculture, India enjoyed an 857-million-dollar trade surplus with the US in 2003. Meanwhile, it has taken six years for US farm exports to India to double to a still very modest 309 million dollars in 2003.

"Clearly, given Indias population, growing middle class and robust economic growth this figure is too small."

Mulford, making his first public

comments since taking over as US ambassador in New Delhi at the end of February, said the US was willing to eliminate export subsidies in return for greater access to developing markets.

"We cannot do it unilaterally, however. Others, who have much higher levels of agricultural subsidies must also do their part," he said.

"In addition, there must be new market openings from developed and developing countries, especially those like India that are competitive in agriculture and have strong economies," he added.

India and Brazil were leaders among developing countries which banded together at the failed WTO talks in Cancun last September to press the United States and European Union to phase out farm subsidies.

The Cancun talks collapsed after delegates failed to agree on eliminating farm subsidies in industrialized nations.

Mulford also urged India to allow FDI in the country's retail sector.

"The growth in Indias economic status along with its demographic changes is leading to changes in the countrys retail sector, especially in the (cities)," he said.

"Such changes will lead to greater choice at lower prices for consumers including offerings of food and beverage products from the US. This progress is being hampered by the ban on FDI in the retail sector," he said.

India's decades-old Agricultural Produce Marketing Act only permits designated traders cleared by the government to stock and sell farm products. It would need to be amended before foreign retailers could sell food products.

As a result, the Indian retail trade is dominated by small wholesalers and Mulford pointed out that Indian consumers were paying "excessively high prices" for products due to the inefficiencies in the distribution network.

"Removal of this restriction would accelerate the transformation of this up-and-coming sector," he said.

China lashes out at US trade policies after Zoellick attacks

AFP, Beijing

China Friday accused the United States of having excessively protectionist trade policies and said Washington was failing to conform to the spirit and agreements of the World Trade Organisation (WTO).

The criticisms are contained in China's first ever report, commissioned by the Ministry of Commerce, assessing US trade policy.

Its publication in the China Daily Friday comes only a day after Washington threatened to use take action at the WTO against China for allegedly not complying with global trade rules and adopting discriminatory tax policies.

"Amid a sluggish economy and the growing trade deficit, protectionist tendencies have clearly got stronger in US trade policies, while its enthusiasm to solve disputes multilaterally has clearly waned," said the report.

Canada calls on EU to lift poultry ban

AFP, Ottawa

Canada will ask the European Union to lift a ban on its poultry produce introduced after the discovery of a new case of bird flu in the western province of British Columbia, an official said Thursday.

A spokesman for International Trade Minister Jim Peterson read a statement quoting him as saying: "we will be asking the EU to resume trade with Canada, this a very localised issue and should be treated as such."

The EU's executive body, the European Commission, announced earlier Thursday a suspension of imports of Canadian poultry products until April 6.

The 15-nation EU is normally a major importer of Canadian eggs.

Europe's latest import suspension, which applies to live poultry, poultry meat and products, eggs and pet birds, will be reviewed on April 6, the European Commission said.

US threatens to haul up China in WTO for reneging on trade rules

AFP, Washington

The United States on Thursday threatened to haul up China before the World Trade Organisation (WTO) for allegedly not complying with global trade rules and adopting discriminatory tax policies.

Robert Zoellick, the US Trade Representative, said that while some of the compliance problems faced by China, which joined the WTO in 2001, were initially viewed as "growing pains", Beijing must do more to ensure it lives up to obligations in the global trade body.

"Without more progress on matters we have been pressing with China, we will certainly need to avail ourselves of our rights under the WTO," he warned in a testimony before the House of Representatives.

Zoellick also warned that the United States would use "special safeguards," like applying unfair trade laws such as anti-dumping provisions, on textiles from China if Beijing fell short in its trade

commitments.

Under the previous Uruguay Round trade commitments, the United States has to begin phasing out its textile and apparel quotas at the end of this year.

"We have urged the Chinese to recognise concerns raised by this important transition," Zoellick said.

He stressed that the United States would concentrate its enforcement resources this year on ensuring that China played by the WTO rules.

He cited what he called China's lax enforcement of intellectual property rights and discriminatory tax policies -- "most blatantly" on semiconductors -- and new wireless encryption standards, intended to block US market access.

The United States also faced market access problems in agriculture and financial services, he said, charging that China used so called "standards" to unfairly impede US exports.

FTA with Mexico Japan protects farm products

AFP, Tokyo

Japan's imminent free trade deal with Mexico should help its major companies make further inroads into North America while the Asian country's farm sector remains protected, officials say.

The elimination of trade barriers, such as a 50 percent tariff on imported cars, is expected to be a boon for Japanese carmakers, steel mills and plastics makers that are targeting Mexico as an emerging market and gateway to the United States.

Trade officials said a broad agreement on the free trade agreement (FTA), reached Wednesday after marathon talks, should help Mexico compete with US and Brazilian farmers in selling pork, oranges and other products in Japan.

But policymakers also pointed out the FTA is unlikely to harm Japanese farmers who will still be protected by tariffs and quotas against potentially price-competitive imports.

"Mexico has already lowered tariffs on industrial products used domestically but the FTA will guarantee such preferential treatment, which provides great benefits for Japanese companies," said Tadashi Minemura, a senior official at the Japan External Trade Organization.

The Japanese exporters have survived as outsiders in the North American Free Trade Agreement (Nafta) markets since its inception a decade ago and thus have sharpened their competitive edge without the benefit of an FTA there.

"But the one with Mexico is beneficial because it will widen Japan's options in trade with investment in the area," Minemura said.

Given the wide gap between rich and poor in Mexico, he said, the Japanese firms will have the flexibility of producing trucks and affordable passenger cars in the emerging Latin American economy, while exporting luxury cars from Japan at a low tariff and eventually tariff-free.



PHOTO: ARIFS (BANGLADESH)

The annual sales conference of Arifs (Bangladesh) Limited, an animal health product marketing company, was held recently in Dhaka. Managing Director of the company KK Arif, Chief Co-ordinator Mahbobur Rahman Khan, and Executive Director SA Khan were, among others, present.

Weekly Currency Roundup

March 6-March 11, 2004

Local FX Market

US dollar got weaker this week. Later continued to weaken throughout the week. It increased slightly in the middle but weaken by the end of the week. Increased inflow of greenback and subdued demand for dollar weakened it by the end.

Money Market

Bangladesh Bank borrowed BDT8,139.50 million by the Treasury bill auction held on Sunday, compared with BDT7,715.00 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 on an upward trend this week. Call money rate ranged between 3.00 and 4.00 percent this week. Shortfall of liquidity increased the rate by the middle of the week and ended at 4.50-5.50 percent.

International FX Market

The dollar was close to five-month highs against the yen in the beginning of the week and steadied against the euro with the help of suspected intervention by Japan to keep the greenback from sliding after Friday's dismal US jobs data. Dealers said bearish dollar sentiment dominated after Friday's news that the US economy created far fewer jobs than expected in February. Suspected yen selling by the Bank of Japan (BoJ) kept a floor under the greenback across a range of currencies after its 2-1/2 cent tumble versus the euro on Friday. The dollar traded at \$1.2370, steady from the previous New York close. It was also unchanged on the day at 112.04 yen.

In the middle of the week, the dollar maintained a firm tone against European currencies and the yen, holding the previous session's gains as investors speculated whether the greenback's two-year decline was over. Dollar bulls took heart from euro's meager response to last week's dismal US jobs report, which was taken as a signal, US interest rate hikes were still far off but failed to give lasting support to the euro. Wariness over foreign exchange intervention by the Bank of Japan (BoJ) also weighed down the yen as traders suspected Japanese authorities of stepping in recent days to stop then yen from rising beyond 110 per dollar. The dollar was also up by slightly against the Swiss franc and higher versus the British pound.

The dollar extended recent gains against the euro by the end of the week, shrugging off a record US trade deficit, but it struggled versus the yen as investors suspected Japan loosened its grip on currency movements. Euro failed to capitalise on Wednesday's announcement of a rise in the US trade deficit to a record \$43.1 billion in January. Traders said that the Bank of Japan has recently withdrawn dollar/yen bids after selling 10 trillion yen in the first 2 months of this year on top of a record 20 trillion last year to curb yen strength. The dollar traded 0.35 pct higher on the day versus the euro. Against the yen, dollar traded flat at 110.75 yen, after earlier weakening as low as 110.47.

--Standard Chartered Bank



PHOTO: AGRANI BANK

M Fazlur Rahman, chairman of Agrani Bank and planning secretary, speaks at the Dhaka Divisional Heads' and Branch Managers' Conference-2004 of the bank on Thursday at a local hotel. Directors of the bank S M Nurul Hoque and Achyuta Pada Goswami and Managing Director A S M Imdadul Haque were present at the daylong conference.

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