

WTO reaffirms rule on trade law violation by US

REUTERS, Geneva/Brasilia, Brazil

The World Trade Organisation Friday ruled the United States broke global trade rules by lavishing subsidies on its cotton farmers, backing a Brazilian complaint, the two governments said.

In a final verdict, which could have a big impact on free trade negotiations underway in Geneva, the WTO reaffirmed an initial April ruling that US policy seriously hurt Brazilian cotton producers, the nation's government said.

"This alerts our international partners to a situation that is unsustainable," said Roberto Azevedo, chief of legal cases at

Brazil's Foreign Ministry. "Because of these American subsidies prices are depressed in the international market and thousands go hungry, thousands of people live in absolute misery."

The United States, which insists that its cotton policy is in line with WTO rules, said it would appeal the ruling.

US cotton subsidies will remain unchanged for at least a year or two due to the length of the appeal process, US congressional aides said. That would mean no immediate change in cotton supports.

The lengthy decision, which was given only to the two sides, will not be made public for weeks. But

the result came as little surprise as the WTO has never in its nine-year life overturned preliminary findings.

Brazil did not rule out sanctions against the United States if its appeal was knocked down and it kept up the subsidies.

The WTO decision goes to the heart of the debate at troubled negotiations to reform world farm trade, where angry poorer countries argue the massive subsidies of their richer rivals depress prices and keep them out of lucrative markets.

It will be particularly welcomed by West African producers such as Benin and Chad. They have

pleaded for their crop to be given special consideration at Geneva talks on lowering barriers to farm trade because of the heavy losses they have suffered.

Trade sources said Brazil successfully argued that the United States had exceeded agreed subsidy limits for cotton, leading to over-supply which in turn had contributed to depressing world cotton prices.

In the 2001-2002 season alone the United States paid out nearly \$4 billion in subsidies to its 25,000 cotton farmers for a crop valued at only \$3 billion, the sources said.



PHOTO: SIBL

Social Investment Bank Limited (SIBL) Chairman Kamaluddin Ahmed gives away certificate to a participant of a two-month foundation training course organised by the bank for its officers at the closing session of the course held in Dhaka on Thursday. Among others, Taslima Akhtar, director, and Kazi Anwarul Mahbub, managing director of the bank, were present.



PHOTO: PROGRESSIVE LIFE INS

Nasir A Chowdhury, chairman of Bangladesh Insurance Association, Abdul Mueyed Chowdhury, advisor to former caretaker government, and Zafar Halim, managing director of Progressive Life Insurance Company, pose for photographs with the recipients of gold medals for their best performance in premium collection and business development, at the prize distribution ceremony of Progressive Life Insurance held in Dhaka on Monday.



PHOTO: IDCOL

Iqbal Hassan Mahmood (3rd from left), state minister for power, Christine I Wallich (2nd from right), country director of World Bank, Mirza Tasadduq Hussain Beg, Economic Relations Division secretary and chairman of Infrastructure Development Company Ltd (IDCOL), Fouzul Kabir Khan, executive director and CEO of IDCOL and Dopal C Barua, managing director of Grameen Shakti, are among others seen at a function held in Dhaka recently marking the installation of 20,000 solar home systems financed by IDCOL.



PHOTO: DCCI

A Vietnam business delegation met Dhaka Chamber of Commerce & Industry (DCCI) President Fazle RM Hasan on Thursday in Dhaka to discuss ways for promoting trade relationship between the two countries. DCCI Vice-president M Abu Horaira and members of the Bangladesh Electrical Association were also present at the meeting.

Indian states agree to introduce VAT

REUTERS, New Delhi

India's states finally agreed Friday to introduce value-added tax, one of the country's most ambitious tax reforms in half a century aimed at boosting revenues to help bridge a huge deficit, from April 1 next year.

The decision came after a meeting of state finance ministers to discuss issues related to tax reforms and the introduction of the VAT, postponed five times in the past due to opposition of trader groups and members of the recently ousted government.

Federal Finance Minister Palaniappan Chidambaram, a keen advocate of economic reforms who has been pushing for VAT's introduction, was at the meeting.

The VAT, to be set at a standard rate of 12.5 percent, should have taken effect in April 2003, but did not because most of India's 29 states were not ready and there were fears of a huge backlash from the powerful traders lobby.

The new left-leaning government, led by the Congress party, which took power after a surprise election victory last month, had vowed to implement VAT at the earliest while outlining key policy plans.

Thai economy remains strong: Shinawatra

ANN/ THE NATION

The Thai economy remains strong and its expansion can be sustained over a long period of time long run, Prime Minister Thaksin Shinawatra said in his weekly radio show yesterday.

He also expressed his concern over higher oil prices during the broadcast.

Thaksin said a fiscal snapshot of Thailand's books at the end of March indicated that the Kingdom's foreign reserves were still high, while foreign debt has shrunk.

Thailand's foreign debt in March was US\$51.8 billion (Bt2.1 trillion), of which \$39.9 billion was long-term debt and \$11.8 billion was short-term debt, according to the prime minister.

The amount of Thailand's foreign reserves exceeded foreign loans by \$6.9 billion.

"Thailand's net foreign deposits are more than the foreign currency debt. When compared to the outstanding short-term and long-term debt position of the country, Thailand has a strong monetary situation," Thaksin said.

The prime minister encouraged Thais to save energy as oil prices remained high.

"As petrol prices increase, importing a massive amount of petrol could lead to a trade deficit

or a lower trade surplus. It's time to help the country save energy," Thaksin said.

He added that the development of alternative fuels such as bio-diesel and gasohol must be encouraged to reduce reliance on oil. Ethanol could become a major alternative source of energy in the future.

Thaksin said the government was seeking cooperation from Brazil on its ethanol project to produce gasohol. The idea came from his official visit to Brazil last week.

"Brazil is ready to support Thailand's ethanol project. Brazil's private sector is willing to help Thailand in terms of technical support in the development and production of ethanol," Thaksin said.

The country also expects Brazil to help its planned exports to Asian countries, where there is a rising need for ethanol, including China, India, Japan, and Korea.

The two countries will arrange meetings in the near future between the public and private sectors to discuss proposed plans to co-finance investment in the industry.

"Brazil will send a team to Thailand to demonstrate their advanced ethanol technological production within two months," he added.

CURRENCY

Following is Saturday's (June 19, 2004) forex trading statement by Standard Chartered Bank

Sell		Buy			
TT/OD	BC	Currency	TT Clean	OD Sight/Doc	OD Transfer
62.1000	62.1500	USD	60.3550	60.1777	60.1057
76.4575	76.5191	EUR	72.3777	72.1651	72.0787
115.2576	115.3504	GBP	110.0875	109.7642	109.6328
43.8737	43.9090	AUD	40.7094	40.5899	40.5413
0.5779	0.5784	JPY	0.5499	0.5483	0.5476
50.3323	50.3728	CHF	48.0610	47.9198	47.8825
8.2290	8.2356	SEK	7.5713	7.5491	7.5401
45.9218	45.9587	CAD	43.9169	43.7879	43.7355
7.9722	7.9786	HKD	7.7293	7.7066	7.6974
36.3796	36.4089	SGD	34.9884	34.8856	34.8439
17.0450	17.0587	AED	16.2994	16.2515	16.2321
16.6913	16.7047	SAR	15.9665	15.9196	15.9006
10.5771	10.5856	DKK	9.4746	9.4468	9.4354
211.4330	211.6033	KWD	196.7820	196.2040	195.9691

Exchange rates of some currencies against US dollar

Indian rupee	Pak rupee	Lankan rupee	Thai bath	Nor kroner	NZ dollar	Malaysian ringgit
45.57	57.94	101.05	40.945	6.8749	0.6768	3.80

Local Interbank FX Trading

Local interbank market was sub-due as the international market was closed. US dollar remained at the same level against the Bangladeshi taka.

Local Money Market

Money market was active. Call money rate was unchanged and ranged between 5.00 and 5.25 per cent.

International Market

International Market was closed on Saturday due to weekend. Before closing on Friday, the dollar weakened broadly on Friday after a report showed the US current account gap widened more than expected in the first quarter. The market's focus now turns to next week's US data on durable goods orders, new and existing home sales and consumer sentiment.

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