

China sees Asean FTA to spur pan-Asia free trade

REUTERS, Singapore

Creating a China-Asean free trade area will prod Japan and South Korea to abandon their protectionist farm policies, ushering in an East Asian single market within 15 years, a top Chinese academic said Thursday.

The confident comments underscore Beijing's determination to force the pace of Asian integration, which it sees as a force for regional peace and stability despite the distraction of economic problems at home.

In a paper prepared for a forum on ties between China and the 10-member Association of South East Asian Nations, researcher Zhang Xiaoji said Japan and South Korea would not join the planned China-Asean free trade area (FTA) within the foreseeable future as it would require a wrenching shift in farm policies.

China and Asean have agreed in principle to create by 2010 a unified market of 1.8 billion people with a combined gross domestic product of \$2 trillion.

Such a market would not only expand intra-regional trade and investment but also attract extensive investment from Japan, South Korea and beyond, said Zhang, who is a director-general of the

Development Research Centre of the States Council in Beijing.

That would galvanise Tokyo and Seoul into dismantling the tariffs and subsidies they use to shield their farmers.

"With the outbound transfer of manufacturing and service industries, Japan and Korea will adjust their agricultural product trade policies as soon as possible to remove barriers to their integration into the East Asian Free Trade Area (EAFTA), Zhang wrote.

"Therefore, although the final formation of the EAFTA may require 10-15 years, the initiatives taken by the China-Asean FTA will indubitably accelerate the process," Zhang added.

Another researcher, Shen Danyang of the Chinese Academy of International Trade and Economic Cooperation, proposed bringing South Asian countries as well as Australia and New Zealand into what he called a new Pan-Asia Economic Cooperation Circle.

The broader the cooperation, the greater the economic benefits to be reaped, Shen argued. "The idea might seem remote for political reasons, but it is not impossible," he said.

China's enthusiasm for Asian trade liberalisation is undimmed despite frustration that a June 30

deadline to complete the core chapter of the Asean deal covering trade in goods could be missed because some of the group's members are asking for more time.

"We have been told by Chinese officials that they are anxious that we should not slip the first deadline," Asean Secretary-General Ong Keng Yong told the conference on Wednesday.

Zhang said the problem was that Asean, with its insistence on consensus, was unwilling to devolve power to its secretariat.

"In reality, respective FTA negotiations by Asean with China, Japan and Korea are 10 separate negotiations with the 10 Asean countries," he said.

Zhang denied that China was actively promoting East Asian cooperation to establish dominance over Japan: China would welcome it if Tokyo were to play a more active regional role.

But he chided Japan for putting bilateral trade talks with South Korea, Thailand, Malaysia and the Philippines ahead of the initiation of formal negotiations with Asean.

In doing so, Zhang said, Tokyo was seeking to reinforce its "core status" in the regional integration process. South Korea, he added, seemed to be imitating Japanese tactics.

DBS ties up with Bank Rakyat Indonesia

ANN/THE STRAITS TIMES

DBS Bank announced yesterday a tie-up with Bank Rakyat Indonesia to provide what may be one of the cheapest and fastest bank remittance services in town for Indonesian workers in Singapore.

The deal with Bank Rakyat, Indonesia's largest bank by office network, will allow the 100,000 or so Indonesian workers there to remit funds more efficiently, even to rural villages, DBS said.

Bank Rakyat's web of around 5,000 offices scattered throughout Indonesia allows DBS to extend its reach beyond what its existing tie-up with Bank Danamon Indonesia can offer, said DBS' Vice-president of Business Development for South and Southeast Asia, Ian Teo.

Temasek, DBS' parent, holds

significant stakes in Bank Danamon. The partnership also results in cost savings which translate to cheaper remittances, Teo said.

Bank remittance fees usually fall within \$25 to \$30, he said. But with the new agreement, DBS will be able to offer a rate of \$13 for money transfers to Indonesia a sum comparable to most non-bank remittance houses.

Remittance services are sometimes plagued by delays, undelivered transfers and overcharges.

But DBS Managing Director and Head for South and Southeast Asia, Rajan Raju, said: "We offer competitive foreign exchange rates, low fees and, more importantly, the security of leaving your money in the hands of regulated, reputable and trustworthy institutions."

Cos ignoring social woes risk stock slide: UN

REUTERS, United Nations

Companies that ignore pressing social and environmental problems do so at the risk of seeing their stock price tumble, 12 major investment firms and the UN Environment Program warned Thursday.

"Environmental, social and corporate governance issues affect long-term shareholder value," said Espen Klitzing of Oslo-based investment group Storebrand ASA.

"So it's not just about being a good corporate citizen. It's also about achieving superior returns," he told a news conference at UN headquarters.

At a recent meeting with 20 of Europe's largest pension funds, all agreed that a firm's failure to look at these issues "is a problem for their investments," said Walter Kielholz, chairman of Switzerland's Credit Suisse Group.

A report on the issue by the UN agency, France's BNP Paribas Asset Management, US-based Citigroup's Asset Management, HSBC Asset Management (Europe) SA, Japan's Nikko Asset Management and others was presented at a UN conference of several hundred corporate, government, labor and civic leaders.

"I ask all of you to work together

-- business, civil society, labor and governments -- and to work with the United Nations, to reduce the global risks we all face and to realize the promise of a fairer, more stable world," said UN Secretary-General Kofi Annan at the gathering.

Launched in 2000, the compact has grown to nearly 1,500 firms in 70 countries. Annan said, making it the world's largest voluntary corporate citizenship network.

The compact has had nine guiding principles, including using environmentally friendly technologies and ending sweatshop conditions, child labor and discrimination against minorities and women.

Compact participants adopted a new guiding principle that "business should work against corruption in all its forms, including extortion and bribery."

Ten stock exchange announced plans to promote the UN-backed standards among the 3,000 companies whose shares they list, with a total market capitalization of \$3 trillion.

The participating markets are Brazil's Bovespa, a group of European stock exchanges known as Euronext, and the German, Irish, Istanbul, Italian, Jakarta, Johannesburg, Luxembourg and Toronto stock exchanges.



State Minister for Civil Aviation and Tourism Mir Mohammad Nasiruddin addresses the high officials of civil aviation, Bangladesh Biman, police and customs at a meeting on improvement of law and order situation of Zia International Airport held recently in Dhaka. Civil Aviation and Tourism Secretary Akhtar Husain Khan, Chairman of Civil Aviation Authority Air Commodore Zaheed Kuddus and acting MD of Biman M Mahmoodur Rahman were also present.

Weekly Currency Roundup

(June 19-June 24, 2004)

Local FX Market

Demand continued to remain high for USD in the market due to import-related payments and profit remittances. Such demand-supply gap pushed the rate of greenback high against BDT in this week.

Money Market

Bangladesh Bank issued BDT 2,809.00 million by the Treasury bill auction held on Sunday, compared with BDT 3,234.00 million in the previous week's bid. The weighted average yields of t-bills of different tenors were unchanged from the previous bid.

The call money rate was in a downward trend this week. It was stable in the beginning of the week. Improved liquidity condition eased the rate by the end of the week and the rate fell to 2.50 and 3.00 per cent.

International FX Market

In the beginning of the week, the yen rose to eight-week highs against the dollar on Monday and seven-week peaks versus the euro on the back of strong Tokyo equities gains and expectations for a firming interest rate picture in Japan. The dollar traded third of a percent firmer against the euro and nearly half of percent against Swiss franc.

The dollar hit two-week lows against the euro and approached two-month lows versus the yen in the middle of the week as investors factored in a US rate rise next week and focused instead on the outlook for the Eurozone and Japan. The market widely anticipates a quarter point rise in the US from current 46-year lows of one-percent following the Fed's Open Market Committee meeting on June 29-30. Meanwhile data on Wednesday showed the Japanese trade surplus widened in May for the 11<sup>th</sup> straight month as exports to China held up. The dollar was down 0.6 percent from late New York levels and close to a two-month low of 108.21 yen set on Monday. Euro pushed up to its best showing since June 9.

At the end of the week, the yen hit a two-month high versus the dollar and the euro amid mounting optimism about the Japanese economy, while the dollar drifted within well-worn ranges against the single currency. Gains in Japanese stocks, strong figures on second-quarter business activity and upbeat expectations for next week's key corporate sentiment survey, the "tankan", all supported the yen. But the spectre of a Federal Reserve decision on interest rates next week kept the dollar subdued with investors awaiting US durable goods data and various central bank speakers later in the day. Sterling extended the previous session's losses against the dollar on Thursday.

- Standard Chartered Bank



PHOTO: GREEN DELTA INS

Chairman of Green Delta Insurance Company Limited AQM Nurul Absar presides over the 18th annual general meeting of the company at a local hotel on Thursday. The company has declared a 35 percent dividend for its shareholders for the year 2003. Nasir A Choudhury, managing director, and other directors of the company were also present.

STOCK