

Southeast Asia must overcome rift for sake of growth

Indonesia's president says

REUTERS, Jakarta

Southeast Asian nations must overcome their differences and integrate their economies or face a future on the sidelines of global commerce, Indonesia's president told ministers from the region Friday.

Economic ministers from the 10-member Association of Southeast Asian Nations (Asean) and several major partners are meeting through the weekend in Jakarta, seeking ways to speed up efforts to liberalise trade and attract new investment.

to transform the region of nearly 500 million people into a giant EU-style free trade zone by 2020 and vowed in January to cut tariff and non-tariff barriers in 11 key sectors by 2008, but many countries, including Indonesia, have been criticised for moving too slowly.

"If Asean wishes to be able to compete and play an important role in the global economy, its members would have no other choice but to be truly faithful to their agreed commitments," Indonesia's leader, Megawati Sukarnoputri, said in a speech at the meeting's opening ceremony.

Asean Secretary General Ong Keng Yong said two key issues would top the agenda of the group's ministers, who will meet with counterparts and top officials from China, India, Japan, the European Union, Australia and New Zealand.

"Number one is how to continue the progress we have made for the 11 priority sectors," he said.

"Two, how do we quickly advance the FTA talks which we have with China, India and Japan and how to launch new talks with the Republic of Korea and Australia and New Zealand?"

Asean expects free trade agree-

ments (FTAs) to be completed with China in 2010, India in 2011 and Japan a year later.

Ong said Asean ministers in Jakarta were likely to recommend the formal launch of free trade talks with South Korea, Australia and New Zealand to their heads of government, who could then formalise the decision at a meeting in Laos in late November.

The urgency for an Asean trading bloc has been accentuated by the failure of world trade talks last year in Cancun, Mexico, and a dramatic loss of capital inflows since Asia's 1997/98 financial crisis.



PHOTO: LOYEDS INS

Loyeds Insurance Company Limited Managing Director Moshleh Uddin Ahmad and Capital Market Services Limited Managing Director Al Maruf Khan recently in Dhaka sign an agreement on behalf of their organisations for issuance of Loyeds Insurance's shares to the public.

Apec ministers favour currency liberalisation

AFP, Santiago

Asia-Pacific finance ministers were to call for currency deregulation in a statement due to be released on Friday, the head of the US delegation said, in a move that particularly targets China's monetary peg to the US dollar.

The statement is to be released at the end of a two day meeting of top finance officials from the Asia-Pacific Economic Cooperation forum in the Chilean capital.

"In the communique, I was particularly pleased that support for the move to more flexible currency regimes was expressed," said US Treasury Under Secretary John Taylor.

China's renminbi currency has been fixed at 8.28 to the dollar for the past 10 years. With the Chinese economy so strong, this has given Chinese exporters a major advantage on world markets.

Critics, especially in the United States, say this has led to unfair trade imbalances in China's favour.

At their meeting last year in Thailand, Apec finance ministers were unable to come up with an agreed formula to criticise fixed currency regimes used by China and other countries in the region.

The latest communique only talks of the need to put in place the conditions for countries to move toward a more flexible exchange system.

"China has already indicated that its choice is to move towards more flexible exchange rate," Taylor said,

even though it has not fixed a date to end its currency peg.

He added that Washington was "working actively" with the Beijing government "to move towards a more flexible exchange rate."

Taylor highlighted that floating a currency was not the only solution and highlighted attempts to dollarise economies in Latin America and Greece's entry into the euro zone.

"But for large economies, flexibility is important to preserve a stable economy," he declared.

Giving the example of rising oil prices, he said that "greater flexibility allows adjustment to be made" when commodity prices climb, which is a boost to the international economy.

"The international economic system works best in an environment characterized by free trade, the free flow of capital and currencies in open, competitive markets. I believe we are moving closer to achieving this goal," the US official said.

He also praised Latin America's economic progress.

"The macroeconomic policies in Latin America have improved dramatically in the last years," Taylor said. "If it continues you will see more and more pay off."

At the same meeting, Mexican Economy Secretary Francisco Gil Diaz highlighted how "all the crises of the past 15 or 16 years had been caused by the arrival of excessive short term capital into economies with fixed parities."



PHOTO: HEIDELBERGCEMENT BANGLADESH

HeidelbergCement Bangladesh Limited organised a seminar on the use of Portland composite cement recently in Chittagong. Among others, Vice-chancellor of Chittagong University of Engineering and Technology Prof Mir Shahidul Islam, Managing Director of HeidelbergCement Bangladesh Mark van Kempen and Chairman of Institution of Engineers, Bangladesh (IEB) AKM Fazlullah were present.

Weekly Currency Roundup

August 28-September 2, 2004

Local FX Market

US dollar was volatile against Bangladeshi taka. Greenback remained steady in the beginning of the week due to matched demand and supply. Dollar got stronger by the end of the week due to increased demand for profit remittances.

Money Market

Bangladesh Bank borrowed BDT 6,912.00 million through the treasury bill auction held on Sunday, compared with BDT 2,359.00 million in the previous week's bid. The weighted average yields of t-bills of different tenors were almost unchanged from the previous bid. Percentage distribution of accepted t-bills is shown in the following graph:

Call money rate was range-bound throughout the week. The rate ranged between 4.00 and 5.25 percent this week.

International FX Market

In the beginning of the week, dollar rose to a 3-1/2 week highs against euro, but it later retreated as nervousness ahead of this week's key US jobs report tempered the gains it had made on the back of Friday's firm data. The greenback rose almost one percent against euro on Friday after data showed US consumer confidence rose more than expected in August. However, trade was thin with London markets closed and dealers said dollar could find further gains difficult to achieve ahead of Friday's crucial payrolls.

The dollar struggled in the middle of the week to rise from the previous day's six-week lows versus the yen and a one-week trough against euro brought by weak US data, as caution remained high ahead of other key releases. Tuesday's sharper than expected fall in the Chicago purchasing management index may have heightened worries. Among important data, analysts are expecting the August Institute of Supply Management Index, due at 1400 GMT, to edge down to 60.0 from July's 62.0. US job data is also due on Friday, where economists are expecting a gain of about 160,000 jobs in August.

In the middle of the week, the dollar hovered around recent one-week lows against euro on Thursday, unable to find direction ahead of Friday's US labor report that could give crucial clues about short-term interest rate prospects. Many investors fear that another weak jobs number, after the last two heavily disappointed markets, might cast shadow over a widely-expected rate hike from the Federal Reserve later this month. The dollar was also unchanged from New York levels against the yen and the Swiss franc. Meanwhile, the market would also look to weekly US initial jobless claims figure.

- Standard Chartered Bank



PHOTO: RELIANCE INS

Reliance Insurance Limited Managing Director M Shamsul Alam and Central Depository Bangladesh Limited (CDBL) Managing Director and CEO MH Samad exchange documents after signing an agreement on Tuesday in Dhaka. Under the deal, CDBL, the service provider of central depository system, will convert paper shares of Reliance Insurance into electronic ones.



PHOTO: BANK ASIA

Bank Asia Limited recently organised a workshop on 'Core Risk Management' in Chittagong for its officials. SM Khorshed Alam, executive vice-president and regional chief of the bank, and Irteza Reza Chowdhury, vice-president and international department chief, pose for photographs along with the participants at the workshop.

IMF to revise upward global growth outlook

AFP, Santiago

The International Monetary Fund will make a modest upward revision to its global economic growth outlook, managing director Rodrigo Rato said Tuesday.

Rato, who was attending the Asia-Pacific Economic Cooperation forum meeting of finance ministers, said the IMF global outlook for 2004 set to be released in October would be "slightly above" the April forecast of 4.6 percent.

Rato noted however that "some downside risks have increased" including the recent spike in crude oil prices.

But he said that even though some recent economic data have been below expectations, "the recover should continue in 2004 and through 2005."

Rato repeated IMF concerns about the United States and Europe.

He said US officials should take steps to address the "twin deficits," referring to the budget gap and massive trade imbalance.

As for Europe, he said officials "should not make the same mistake as in 1999, when they were unable to take advantage of the recovery to put their public finances in order."

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