

## Africa, global growth to top G7 meet agenda

AFP, London

Poverty in Africa, global economic growth and revaluation of China's currency were the issues expected to dominate a two-day meeting of top G7 finance ministers beginning here on Friday.

Britain, as host of the meeting, was expected to seek support from G7 counterparts Canada, France, Germany, Italy, Japan and the United States for an initiative that would double global aid to poor countries to 100 billion dollars (77 billion euros) a year and cancel debt of 80 billion dollars.

China's finance minister and central bank governor were meanwhile to have lunch with their G7

counterparts on Saturday, when they were likely to be told again that the yuan — pegged to the dollar — is unfairly undervalued and thereby penalizes exports from Beijing's trading partners.

US Treasury Undersecretary for International Affairs John Taylor, told reporters on the sidelines of the meeting that the United States would like to see China "move as quickly as possible towards a flexible exchange rate".

Taylor said: "Our discussions with the Chinese have been good and candid." He was replacing US Treasury Secretary John Snow, absent with a chest cold.

A leading Chinese newspaper said on Friday that the conditions for

fine-tuning the exchange rate of China's currency were "basically ripe".

A move to adjust the exchange rate could not be accomplished all at once but the consensus of market opinion was that a gradual adjustment could be undertaken at any time, the China Securities Journal said in a commentary.

With China resisting Western pressure to allow the yuan to float, G7 ministers were likely to have time to debate concrete steps to help the developing world notably in Africa, as well as global growth issues.

Taylor said he would be urging G7 peers to step up their economic growth.

## Growing India heads to G7

REUTERS, New Delhi

An invitation to India to attend this week's meeting of the Group of Seven rich nations underlines the growing influence of an economy that has become too big and potentially too influential to ignore.

India's participation, alongside China, Brazil, Russia and South Africa, will be its first ever in a G7 meeting.

The G7 is increasingly interested in India because the country's economic clout, from back-office outsourcing to demand for resources, is growing rapidly, analysts say.

"The Indian economy is not an economy you can ignore anymore," said Pronab Sen, economist with India's Planning Commission, which advises the government on economic policy.

The economy, already larger than Australia, Brazil, Russia, or Sweden, has grown at an average of 6 percent since reforms began in

1991 and is forecast to expand a further 6.5 to 7.5 percent in the current fiscal year, to March 31.

Exports are booming, building up foreign reserves that global rating agency Standard & Poor's cited on Wednesday when it raised its rating on India's foreign currency debt to just one notch below investment grade.

India, in turn, has a range of items it wants from the rich world: market access, free movement of labour and free movement of services.

New Delhi will also be eyeing diplomatic advantages, advancing its campaign for recognition as a major power and especially a permanent seat in the UN Security Council.

"For India, there has been an aspiration to have a global profile be it political, economic or strategic issues," said C Uday Bhaskar, head of strategic think-tank Institute of Defence Studies and Analysis.

## European airlines find profits after six-year flight: AEA

AFP, Brussels

Leading European airlines overall turned in a profit last year for the first time since 1998, the Association of European Airlines estimated on Friday.

The unexpectedly strong performance had been driven largely by recovery of traffic between Europe and the Far East which had been hit by the SARS health scare in 2003.

Only a month ago the association had forecast that its 31 member airlines would show an aggregate loss of about 500 million dollars (384 million euros) for 2004.

But it said on Friday that it now expected to see a small profit of 900 million euros in 2004 which would be the first profit since 1998.

The 31 AEA members had increased business in terms of passenger/kilometres by 9.0 percent last year from the 2003 figure and the number of passengers carried by 4.8 percent to a total of 307 million.



PHOTO: UNITED COMMERCIAL BANK

Niaz Habib (C), deputy managing director of United Commercial Bank Ltd (UCBL), speaks at the concluding ceremony of a 10-day foundation course on 'General Banking' at the bank's training institute in Dhaka. Among others, Executive Presidents of UCBL MS Kamal Uddin and Md Ruhul Amin, and Vice-president and Principal of the training institute SM Hafizur Rahman were present.

## Weekly Currency Roundup

Jan 29-Feb 03, 2005

### Local FX Market

Local FX market was volatile throughout the week despite hartal. US dollar remained strong against Bangladeshi taka throughout the week. High import payments and profit remittances made the greenback stronger and hit a record high against the Bangladeshi taka.

### Money Market

Bangladesh Bank borrowed BDT 7,087.00 million through the Treasury bill auction, compared with BDT 7,724.00 million in the previous week's bid. Weighted average yields of t-bills of different tenors eased slightly from the previous bid.

Call money rate was volatile this week. In the beginning of the week the rate was 7.00-15.00 percent. The rate eased and steadied by the middle of the week but increased to as high as 15 percent by the end of this week.

### International FX Market

In the beginning of the week, the dollar firmed as investors looked to higher US interest rates after a Federal Reserve meeting this week, while the focus remained on currency policies ahead of Group of Seven meeting. The greenback also received support after Iraq's election on Sunday went ahead without any major hitch. In a week packed with events, The Fed is expected to raise interest rates for the sixth time since June on Wednesday from their current 2.25 percent rates raise the appeal of dollar deposits and have helped offset a negative impact on the dollar from huge US twin deficits. Key US data including employment and manufacturing are also due in the week.

The dollar drifted lower against the euro and the yen in the middle of the week as investors waited for the Federal Reserve to deliver an expected. Interest rate hike and give clues on the future outlook for the monetary tightening. The Fed is expected to raise rates by 25 bps in its sixth tightening since June when it announces its decision at 1915 GMT. Euro zone producer prices fell more than expected in December, driven down by declining energy costs. German unemployment rose in January to its highest recorded level since 1933 as government labour market reforms and seasonal effects added more than half a million people to the total.

The dollar gained half a yen but hardly moved against other major currencies on Thursday after a key address by President George W Bush and a US interest rate rise gave no new cues to a market struggling for direction. As expected, the Federal Open Market Committee raised the fed funds rate by a quarter percentage point to 2.5 percent on Wednesday. Its sixth rate rise since June. Euro eased slightly against the US. Market is currently focusing on major events still to come, which include US jobs figures for January and a speech by Federal Reserve Chairman Alan Greenspan on the US current account deficit on Friday as well as a weekend meeting of the Group of Seven finance ministers in London.

- Standard Chartered Bank



PHOTO: HEIDELBERGCEMENT BANGLADESH

Sayed Nazrul Biddut, chairman of Building Development and Design Ltd (BDDL), a real estate developer, and KM Zahid Uddin, general manager (Marketing & Sales) of HeidelbergCement Bangladesh Ltd, shake hands after signing an agreement in presence of Jean Claude Jamar, chairman of HeidelbergCement Bangladesh, in Dhaka recently. Under the deal, BDDL will use ScanCement of HeidelbergCement for its apartment projects.

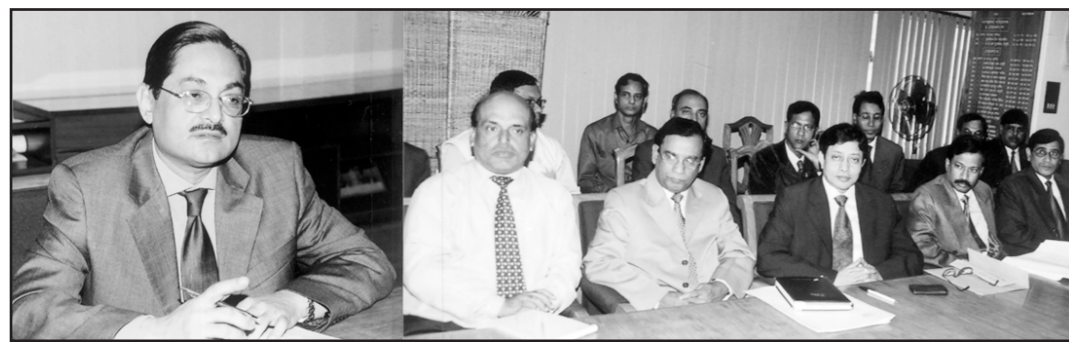


PHOTO: JANATA BANK

Managing Director of Janata Bank SM Aminur Rahman exchanges views with the managers of authorised dealer branches at a meeting held recently in Dhaka to boost the bank's export businesses.

## US seeks tough steps on trade deficit with China

AFP, Washington

The US trade deficit with China is ballooning at a "clearly unsustainable" level, a senior US Commerce Department official said Thursday as a Congress-mandated commission sought tough steps to contain the problem.

Officials of the State Department and the Commerce Department came under rapid criticism from members of the US-China Economic and Security Review Commission as well as lawmakers during a hearing over the rising deficit and Beijing's alleged manipulation of its currency value.

Commission member George Becker said the trade deficit in 2004 would hit 161 billion dollars and was expanding at an annual rate of up to 29 percent a year and could "double or triple within three to five years."

"This has reached epidemic proportions. I have never seen this

trend go down. What is our strategy, how do you deal with this?" he asked Henry Levine, the deputy assistant secretary of commerce for Asia-Pacific policy, and Shaun Donnelly, a principal deputy assistant secretary of state.

Levine conceded that the United States would not be able to support such deficit growth, saying it was "clearly unsustainable."

But he said a key consolation factor was that the United States was importing fewer goods from other Asian countries which had shifted their production to China due to comparative advantages.

Many of the goods Asia exports to China are also used to make products that are eventually shipped to the United States.

Levine claimed the higher share of US imports from China was partly offset by a declining share of imports from other Asian countries. He did not cite figures.

## Asian forex reserves total around \$2.44t

REUTERS, Singapore

Asian foreign exchange reserves total around \$2.44 trillion and the indications are that they did not change much in January compared with the end of 2004.

South Korea, Indonesia and Bangladesh have released reserves data for January. Korea's reserves rose just \$0.6 billion during January, after a steep climb of \$24.6 billion in the last quarter of 2004.

Asia ex-Japan's reserves increased by \$173 billion in the last quarter of 2004, which analysts said was the biggest quarterly jump. China's reserves rose over \$95 billion in the final quarter of 2004 to a record \$609.9 billion.

China and Malaysia showed the biggest jump in reserves in percentage terms in the final quarter, which analysts said was evidence of a surge of hot money into these two countries, betting on a revaluation of the yuan and ringgit.

## STOCK