Apec agrees on 'Swiss formula' to cut tariffs

AFP, *Jeju, South Korea*

Trade ministers from 21 Asia-Pacific nations agreed here on Friday to a formula that would be used to cut tariffs on non-agricultural products, organizers said.

The ministers attending the Asia-Pacific Economic Cooperation (Apec) forum adopted the so-called "Swiss formula" to calculate future tariff reductions in the non-agricultural market access (NAMA) field.

The agreement was a set-back for developing countries who were pushing for a different method that was viewed as more tolerant of their higher protectionist tariff rates.

"This 2005 Jeju Apec meeting continues to follow the successful path of the recent meetings, by bringing to fruition a consensus on supporting (the) Swiss formula as the tariff reduction formula," said South Korea's trade minister Kim Hyun-Chong, who chaired the two-day talks that ended here on Friday.

"This achievement in NAMA will provide the much needed political impetus to the NAMA Doha negotiations."

Developing countries in general maintain higher tariff rates and this formula will result in those nations cutting tariffs by greater margins after the favored "Girard formula" was discarded.

Australian Trade Minister Mark Vaile said the agreement was a significant step that would inject new momentum into the World Trade Organization (WTO) negotiations.

"The Swiss formula, as its known, involves steeper cuts to higher tariffs in order to harmonize tariff rates across countries. This greatly reduces the gap between high and low tariff rates and in addition sets a top limit for all tariffs," he said in a statement.

US Trade Representative Rob Portman said the agreement would be "very helpful" in ensuring that the WTO Doha round bears fruit.

The WTO launched the Doha Round of trade talks in the Qatari capital in 2001, aiming to break down more tariffs and other barriers to commerce and to try to use trade to give developing countries a boost.

But discussions have stumbled repeatedly in the past four years.

"By adopting the Swiss formula, we have provided an important encouragement to the talks ... ," said Portman.

He said this held the potential for a "dramatic improvement" in global economics by pulling some 500 million people out of poverty around the world and bringing an additional $200 billion into the world economy.

PHOTO: PRIME BANK

M Shahjahan Bhuiyan, managing director of Prime Bank Ltd, and S Renganathan, country manager of Commercial Bank of Ceylon Ltd (CBCL), shake hands after signing a correspondent banking agreement regarding collection and disbursements of cash and cheques on behalf of their organisations in Dhaka Monday.

PHOTO: UNITREND

Masih-ul-Karim, managing director of Berger Paints Bangladesh Ltd, inaugurates a new outlet of the company in Dhaka Monday. The company opened three new outlets -- one at Mirpur-1 and two at Banani Bazar.

4 nations sign trans-Pacific trade pact

AFP, *Jeju, South Korea*

New Zealand, Brunei, Chile and Singapore announced a trans-Pacific free trade pact Friday to improve market access between the countries.

The Trans-Pacific Strategic Economic Partnership Agreement was endorsed by ministers representing the four countries at the Asia-Pacific Economic Cooperation (Apec) forum's trade ministers meeting here.

Scheduled to enter into force on January 1, 2006, the pact outlines market-opening measures in areas covering goods and services, intellectual property rights and cooperation in science and technology.

The four partners said the pact would help promote free trade and liberalization and countries could join even after it goes into affect.

The combined gross domestic product of the four countries last year reached 280 billion dollars, making it a notable player in global trade.

Brunei, which had not been a member of the negotiations from the outset in 2002, was allowed to join as a founding member.

PHOTO: PUBALI BANK

M Rafiqul Islam, deputy managing director of Pubali Bank Ltd, and AT Ahmedul Hoque Chowdhury, managing director of Multi Promotional Services Ltd, exchange documents after signing a classified loan recovery deal recently in Dhaka. Other senior officials from both the sides are also seen.

PHOTO: TIE ASSOCIATES

Latifur Rahman (2-L), former chief justice and chief adviser to a caretaker government, and Niaz Rahim (4-L), managing director of Rahimafrooz Superstores Ltd, jointly inaugurate the new head office of TIE Associates & Bosumoti Company, a supplier and marketer of different food products, at Lalmatia in Dhaka Monday.

Britain challenges G8 on total debt write-off

AFP, *London*

Britain threw down a challenge to its Group of Eight partners Friday, proposing 100-percent debt relief to pay for free education for millions of children in the world's poorest countries.

Speaking ahead of next month's G8 summit in Scotland, Chancellor of the Exchequer Gordon Brown proposed a matching of relief on bilateral, country-to-country debts to relief on debt owed to the World Bank, International Monetary Fund and African Development Bank.

The savings for poor countries, most of them in Africa, would go towards free elementary and high school education for many of the 100 million children who now cannot afford schooling, the British finance minister told reporters in Edinburgh.

Without such multilateral relief, he said, the world's poorest nations could find themselves struggling to pay up to 15 billion dollars (12.2 billion euros) in principal and interest payments to international institutions by 2015.

His bold proposal was part of a bundle of ideas -- dubbed a "modern Marshall plan for Africa" -- that is to be put to G8 leaders when they gather on July 6-8 at the posh Gleneagles golf resort.

Other steps would see an international facility to pay for vaccinations in poor countries, a doubling of development aid, and an end to trade-distorting farm subsidies in the rich world.

If adopted, Brown said, the world would be well on its way to meeting the United Nations Millenium Development Goals.

"The scale of what we are outlining is substantial," declared the chancellor, who has made the fight against African poverty a personal crusade. "This is not a time for timidity, nor a time to fear reaching too high."

China links US textile curbs with farm trade

REUTERS, *Washington*

A top Chinese official questioned Thursday why Beijing should honour commitments to open its market to more foreign farm goods if the United States and Europe are slamming their doors to Chinese clothing following the end of a global quota system on Jan. 1.

"The textile integration is a legitimate right that China is entitled to, based on our commitments made to the WTO (World Trade Organisation) by opening greatly our agricultural market and services market to the outside world," Chinese Commerce Minister Bo Xilai told PBS' Nightly Business Report.

"Therefore, it is a kind of balance between our rights and our obligations. So, if we cannot have our right of the textile integration, why are we opening our agriculture and services sectors to the outside world?" Bo said, according to a translated transcript of his remarks in the interview, due to be broadcast on Thursday and Friday night.

Bowing to pressure from the US textile industry, Washington has put emergency import curbs on trousers, shirts, underwear and cotton yarn from China. The European Union is considering similar action to restrict imports.

Washington and Brussels are acting under a special provision of China's 2001 accession to the WTO which allows countries to restrict China's textile and clothing imports through the end of 2008 to stop "market-disrupting" surges.

Weekly Currency Roundup

May 28-June 02, 2005

Local FX Market

US dollar was mostly steady against Bangladeshi taka. Demand for US dollar remained high.

Money Market

In the Treasury bill auction held on Sunday, bid of only 28-D t-bill for BDT 2,255.00 million was accepted, compared with BDT 1,635.00 million in the previous week's bid. Weighted average yield of 28-D t-bill remained unchanged at 6.60 percent.

Call money rate was mostly steady this week. Most of the deals ranged between 10.00 and 20.00 percent throughout the week.

International FX Market

In the beginning of the week, the euro fell back towards last week's seven-month low against the dollar after French voters rejected the European Union constitution, throwing doubts over the political future of the bloc. The "No" vote garnered 55 percent, much higher than most polls suggested before the referendum on Sunday. While the outcome was not expected to jeopardise the monetary union underpinning the single currency, analysts said it did raise questions about public support behind the EU and future integration. The euro was down 0.5 percent against the yen and was under-performing against both the Swiss franc and British pound.

The euro dropped to its lowest level against the dollar in more than seven months in the middle of the week, after media reports that a possible failure of European Monetary Union (EMU) was discussed at a meeting at which the German finance minister and the Bundesbank president were present. Neither Finance Minister Hans Eichel nor Bundesbank President Axel Weber commented on the risk of EMU failure at the meeting, the reports said. The reports compounded market concerns about stability in the Euro Zone, following a decisive "no" to the European Union constitution in France on Sunday and a widely expected rejection of the charter in the Netherlands on Wednesday.

By the end of the week, the euro rose against the dollar and yen, bouncing off the previous day's eight-month low against the dollar, reached after France and the Netherlands rejected the EU constitution. Against the yen, the dollar was down 0.35 percent after rising to a two-month high in US trade. Market attention is now on Friday's US payrolls report, a key gauge of the US economy's health, with economists forecasting much slower job creation in May than in April.

- Standard Chartered Bank

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