

Call for Asian economic bloc

ANN/THE STAR

Asian economies will not be able to expand for long and will lag behind bigger players if a strong monetary union or economic bloc is not formed, finance and economics academician Prof Dr S Ghon Ree said.

"If we do not have it in the next 20 to 30 years, we will then just remain as individual players that are unable to compete with powers like the United States and countries in the European Union," said Ree, the executive director of the University of Hawaii Asia-Pacific Financial Market research centre.

Asian economies tend to operate as isolated markets which are not

integrated into global market activities, a trend that is detrimental to Asia.

To tackle this issue, Ree suggests that an Asian common currency and an Asian Bond Bank (ABB) be implemented.

"By having a common currency, it eliminates exchange risks and allows for a more liquid and homogenous bond market," he told reporters after giving a lecture on Asean+3: Asian Bond Market Initiatives Thursday, the first of a lecture series titled "Tun Ismail Mohamed Ali Chair in Investment and Finance", of Universiti Kebangsaan Malaysia.

The ABB will also help lower borrowing costs, result in greater

liquidity and improve credit ratings for Asian borrowers, he added.

Ree, who holds the position of Chair in Investment and Finance under this series, said the ABB would be able to assist small- and medium-sized enterprises (SMEs) with financing, which was important, as SMEs usually made up 70 per cent of any country's economy.

He added that Malaysia or South Korea would be able to lead other Asian countries to form this ABB as the two countries had sophisticated and well-developed bond markets.

Ree, who studied in universities in South Korea and the United States, said among the reasons for small intra- and inter-regional investments

in Asian bonds was the issue of red tape. This might result in institutional investors from the United States and Europe avoiding Asian bonds due to the uncertainty of their quality and risks.

Ree said Asian countries tended to practise regionalism — these markets isolate themselves from global players.

"This is seen through indicators such as having only Asian rating agencies, Asian borrowers and investors as players in the Asian bond market, without the inclusion of international investors," he said.

This will lead to limited bond buyers, discourage competition and increase borrowing costs.



Ataul Haq, managing director of IFIC Bank Ltd, and other senior officials pose for photographs at the bank's half-yearly managers' conference Saturday in Dhaka.



The Half-yearly Managers' Conference-2005 of Social Investment Bank Ltd was held recently in Dhaka. Chairman of the bank Md Shah Alam was present at the meeting, which was presided over by Managing Director KM Ashaduzzaman.

US farmers unite for WTO talks

REUTERS, Washington

America's farm sector says it would accept smaller subsidies to gain market access to developing countries, but that straightforward position will probably meet obstacles in the complex world of trade talks.

Cutting rich nations' crop and export subsidies is deemed vital if the ongoing round of World Trade Organisation negotiations is to succeed, with advances on reducing trade barriers in other areas like industrial goods and services.

Progress so far has been halting. Though it is hoped the Hong Kong meeting will produce a draft accord, several other targets have been missed.

"The US agricultural community is

fully prepared to make changes in domestic support but is going to need substantial market access to offset that," said Joe O'Mara, the US Agriculture Department's chief agriculture negotiation under former President George Bush.

"It's an issue with the major developing countries, which include India, and the kind of market access they're going to come forward with," O'Mara, now head of trade consulting company O'Mara and Associates, told Reuters.

The problem, as many US groups see it, is that some of their stiffest competitors will be angling for 'developing country' classification along side less developed nations which American farmers are hungrily eyeing as new markets.



Amjad Khan Chowdhury, CEO of Pran Group, speaks at a press conference in Dhaka Wednesday. Ahsan Khan Chowdhury, deputy managing director, and Elias Mridha, executive director of the company, among others, are also seen.



Anwarul Huq, chairman of IDLC Bangladesh Ltd and its newly formed Audit Committee, speaks at a meeting of the committee in Dhaka Wednesday. Anis A Khan, managing director and CEO, among others, was present at the meeting.

Pran rules out fruit juice adulteration

Pran Group has claimed that its juices are made from real fruit pulp and those do not contain any harmful colour or preservatives.

At a press conference in Dhaka on Wednesday Pran officials also said Pran collects fruits from its own contract growers and processes in modern and hygienic factories maintaining highest level of quality.

Among others, Amjad Khan Chowdhury, CEO, Ahsan Khan Chowdhury, DMD, Elias Mridha, executive director, and other high officials were present at the press conference, says a press release.

Ahsan Khan said Pran products are not only sold in Bangladesh but also exported to 64 countries including India, USA, UK, Middle East and African states.

The conference was also told that Pran is the only Bangladeshi food processing company who has achieved ISO 9001, Halal & HACCP certifications for its quality management system, which ensures that the products reach the consumers maintaining highest standard.

Pran has welcomed the drive against food adulteration. But it expressed concern in regard to the fact that all manufacturers of food products have been put on the firing line without any discrimination.

Can India make its great economic leap forward?

REUTERS, Singapore

To many investors betting on India's emergence as a global powerhouse last week's Bombay floods came as a rude awakening.

The disaster, which left more than 1,000 people dead in an around India's financial capital, came just months after a tsunami that killed more than 12,000 in southern India.

It was a stark reminder that India's creaking infrastructure does not match its growing economic and political ambitions.

"For hundreds of people to die in this calamity must say something about India's vulnerability to climatic catastrophes," said Jay Moghe, head of Singapore hedge fund Stork Capital, referring to how Bombay's roads, trains, telephone lines and emergency services gave in after the heaviest down-pour on record.

India's stock market boom, Moghe said, is not compatible with some basic infrastructure problems that India faces.

The benchmark Bombay stock market index has more than doubled in the past two years and hit a record high on Wednesday.

Although India's economy has grown since the 1990s more quickly than any other major economy apart from China's, the government is aware of its Achilles' heel: crumbling roads, stretched utilities and inadequate transportation networks.

The government has estimated the power industry alone needs more than \$100 billion of investment to keep pace with demand.

Yet India has attracted less than a tenth of the money poured into China by foreign investors since the early 1990s.

That is where India's landmark agreement with the United States, signed during Prime Minister Manmohan Singh's Washington visit in July, could change things for the better.

The pact overturned a three-decade-old US foreign policy and acknowledged India as a "responsible nuclear power."

Weekly Currency Roundup

July 30- Aug 04, 2005

Local FX Market
Demand for US dollar remained high in the market.

Money Market
In the Treasury bill auction held on Sunday, bid for BDT 9,602.00 million was accepted, compared with BDT 9,332.00 million in the previous week's bid. Weighted average yield of 28-day t-bills was unchanged, while that of 364-day t-bills were increased by 5 bps to 7.05%.

Call money rate was upward in the week. Call money rate ranged between 4.00 and 5.00 during the beginning of the week, while the rate was closed at 6.00-8.00 percent.

International FX Market
The dollar slid against major currencies on Monday, hitting a one-week low against the euro as the market waited to see if a US manufacturing report due later could inject some life into the currencies flagging rally. The dollar failed to gain despite comments over the weekend from a US Federal Reserve official that interest rates might need to rise further and after upbeat data on Friday, with some analysts saying all the good economic news was factored in. Currencies showed little reaction to the death of Saudi Arabia's King Fahd. Oil prices rose on the news but a Saudi source said the country's oil policy would not change after the king's death.

The dollar became weaker in during middle of the week as investors waited for upcoming US jobs data to gauge the pace of expected interest rate hikes and remained uninspired by a slew of strong economic data. Traders were focused on Friday's payroll figures, the week's big data, for signs that the Fed could keep hiking rates next year. Analysts expected another month of solid employment gains, with median estimates pointing to the creation of about 183,000 jobs. Sterling was up to its recent 3-week high versus the dollar but moved away from a two-week high against the euro as markets waited for Thursday's Bank of England (BoE) interest rate decision. The BoE is widely expected to cut rates this week.

The euro fell against the dollar in early European trade on Thursday ahead of the European Central Bank's rate decision, but investors were reluctant to take any big positions before Friday's key US jobs data. Traders were also keenly awaiting the Bank of England's policy decision due at 1100 GMT, with a rate cut widely expected. Recent data have suggested that the Euro Zone economy may be pulling out of the doldrums, raising expectations in money markets that the ECB may raise rates next year. But for now the ECB is widely expected to leave rates at 2 percent for a 26th consecutive month. The bank will announce its decision at 1145 GMT.

- Standard Chartered Bank

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