

Dollar wobbles as US growth slows

AFP, New York

The dollar fell to near one-month lows against the euro Friday on news that the US economy in the third quarter grew at its slowest pace in more than three years.

The euro bought 1.2738 dollars at 2100 GMT compared to 1.2693 late Thursday in New York, its highest point since early October.

The dollar fell to 117.57 yen against 118.37 on Thursday.

The Commerce Department estimated that the US economy expanded at a 1.6 percent annual rate between July and September, down from 2.6 percent in the prior three months and the heady 5.6 percent recorded in the first quarter.

Economists had been expecting third-quarter growth to decelerate to 2.1 percent. It was the slowest growth in US gross domestic product (GDP) since the first quarter of 2003, when growth was 1.2 percent.

The department said the sluggish momentum reflected a housing slowdown and a higher trade deficit.

Analysts said the data reinforced market expectations that the US Federal Reserve would not raise borrowing costs again any time soon, and could in fact start cutting them next year.

"The dollar showed a knee-jerk negative reaction to the report as market players reduced expectations of a future Fed rate hike and began rebuilding expectations of a rate cut next year," said Michael Woolfolk, currency strategist at the Bank of New York.

The euro climbed to a high of 1.2752 dollars, its highest reading since October 3.

But analysts also said the prospect of another Fed rate hike had not been completely erased given ongoing inflation worries.

The GDP report's core price index, which excludes volatile food

and energy prices, rose 2.3 percent in the third quarter, down from 2.7 percent in the second. But the annual rate increased to 2.4 percent, its highest since the second quarter of 2005.

"Today's GDP report was tailor-made for the dollar bears, showing faster than expected declines in both growth and core inflation," said Woolfolk.

Earlier this week, the Fed kept its benchmark rate unchanged at 5.25 percent for the third meeting in a row but toned down its rhetoric on inflation.

In particular, there was no mention that rising energy prices might keep inflation at elevated levels, in a departure from previous statements.

The next key release will be the October non-farm payrolls report next Friday.

"A negative print for US payrolls is in the post and the next move in rates is down," said Ian Kernohan, economist at Royal London Asset Management.

The euro had been buoyed by the news that M3 money supply in the 12-nation single currency zone rose by an annual 8.5 percent, up from the 8.2 percent growth rate recorded in August and above analysts' expectations for a slowdown to 8.0 percent.

Following a strong German Ifo business expectations survey and consumer inflation data earlier this week, more investors now think the European Central Bank will raise its key rate further after an expected quarter-point hike to 3.50 percent in December.

The pound rose to 1.8978 dollars, from 1.8906 late Thursday.

The dollar stood at 1.2454 Swiss francs, against 1.2532.

AFP, Geneva

A decision by the US Congress next spring on farm subsidies in the United States will be decisive for stalled global trade talks, World Trade Organisation chief Pascal Lamy said Saturday.

Lamy said in a newspaper interview that the 2002 US Farm Bill and its "extremely generous subsidies", which are due to expire next spring, could either be prolonged, or reformed in line with calls from the US Agriculture Secretary.

"A decision either way will certainly be decisive in the search for a compromise on the Doha Round," Lamy told the Swiss newspaper Le Temps.

In July, Lamy suspended the talks launched in the Qatari capital Doha in 2001 due to ongoing deadlock over the bid by the 149-nation WTO to expand free trade by reducing subsidies, tariffs and other barriers to commerce.

Key trading powers, including the United States, the European Union, major developing countries Brazil and India, and agricultural exporting nations are largely at loggerheads about opening up

farming markets.

The WTO Director General indicated that some talking was going on behind the scenes.

"At the WTO we are in a phase of contacts. The question now is at what moment we move to the visible phase, with the aim of reaching a compromise in 2007," Lamy said in the interview.

Lamy also highlighted the expiry of US presidential "fast track" authority on trade issues, which is due to expire next year.

However, the potential impact of mid-term elections in the United States next month on global trade

talks was still uncertain, he added.

"Negotiating positions obey medium term structural conditions," said Lamy, adding that in broad terms, they were "not so susceptible to change" in line with election results.

Meanwhile, Lamy accused China of "playing game" on opening its domestic market following accession to the World Trade Organisation in 2001.

He told the Swiss newspaper that China was now more exposed to pressure from the United States and European Union over potential shortcomings because of the end of

its five-year transition period.

But he underlined that the Chinese had the same rights within the WTO's organised free trade system.

"Are (they) playing the game on lowering tariffs or opening up their market? Yes. They have done the work they pledged to do," Lamy added.

"In a country with 1.3 billion inhabitants, does every municipal authority or every border post follow the rules to the letter? Maybe not," he said in the interview.

On Friday, the United States and EU accused China of failing to come

clean over the subsidies it pays to industry during a review by a WTO committee. The EU said that there were substantial omissions.

State subsidies for the industrial sector are prohibited under WTO rules, and China is committed to eliminate them under its accession agreement.

During the committee meeting, China called on its partners to acknowledge the "enormous" difficulties involved in assembling all the data from authorities at several levels, trade sources said.



PHOTO: PRIME BANK

M Shahjahan Bhuiyan, managing director of Prime Bank Ltd, along with other senior officials of the bank, poses for photographs with the participants in a weeklong training course on Risk Based Audit, Internal Control & Compliance held recently in Dhaka.



PHOTO: AB BANK

Arab Bangladesh (AB) Bank Ltd recently shifted its Islamic banking branch to the bank's own premises at Kakrail in Dhaka. Vice Chairman of the bank Sajedur Seraj inaugurated the shifted branch while President and Managing Director Kaiser A Chowdhury, among other senior officials, was present.

China, Asean to set up FTA

XINHUA, Beijing

On Nov 4, 2002, then Chinese Premier Zhu Rongji and leaders of the 10 Asean nations signed at the sixth China-Asean summit the landmark Framework Agreement on Asean-China Comprehensive Economic Cooperation, marking the beginning of the process of setting up a China-Asean free trade zone.

Under the agreement, the free trade zone would be completed by 2010, and the four new Asean members -- Laos, Cambodia, Myanmar and Vietnam -- have been allowed an additional transitional period of five years and are slated to complete the building of the free trade area in 2015.

The China-Asean free trade area, which will comprise China, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam, is expected to be one of the biggest free trade area in the world.

The China-Asean free trade area will have a total population of 1.8 billion and a combined gross national product of 2 trillion US dollars when completed in 2010.

The estimated total trade volume of 1.2 trillion US dollars will make it the third largest market in the world, after the European Union and the North American free trade area.

Since 2003, China and Asean have held consultations on agreements concerning the building of the free trade area.



PHOTO: POPULAR PHARMACEUTICALS

Popular Pharmaceuticals Ltd and Biopharma Ltd entered into a manufacturing agreement recently. Under the deal, Popular will manufacture injectable products for Biopharma. Mostafizur Rahman, managing director of Popular Pharmaceuticals, and Md Anwarul Azim, managing director of Biopharma, signed the deal on behalf of their companies while other senior officials from both the sides were present.



PHOTO: RANGS ELECTRONICS

Rangs Electronics Ltd recently opened a sales and service centre at Konabari in Gazipur. Senior Sales Manager of the company Wahidur Rahman inaugurated the showroom while other senior officials were also present.

India plans to turn Mumbai into a global financial centre

PTI, New York

India has said it plans to turn Mumbai into a global financial centre to provide a host of services to clients across the world.

A committee is looking into this aspect and expected to submit its report by November end, Finance Minister P Chidambaram said at the annual conference on Indian Financial Market, organised by Confederation of Indian Industries and the Asia Society here on Friday.

Mumbai, he said, is geographically an ideal location for such a centre.

Pointing out that long term funds are the key issue in developing infrastructure, Chidambaram said pension and insurance reforms are overdue.

There is a need for changes in

the insurance laws and insurance penetration also needs to increase, he said, adding that pension reforms in another key area.

But the government's Left allies have, however, opposed a bill to amend the Insurance Act to increase FDI cap in the sector to 49 percent from the current 26 percent and a bill to set up a regulator in pension sector.

The Finance Minister had earlier sought political space to pass these legislations.

Chidambaram said he had absolute confidence that India could rank in the top three global manufacturing hubs for industries linked to steel, refining, textiles, automobiles, automobile parts, light engineering goods and leather and food products.

Canada asks India to remove trade barrier

PTI, Toronto

Canada has asked India to remove barriers on foreign direct investment in its financial sector, saying removal of trade impediments would foster closer economic ties between the two countries.

"Basically there is a wall that is stopping top Canadian banks that are ready to invest in India from penetrating Indian financial sector, and these issues must be resolved at the highest level," Foreign Minister Peter G Mackay said Friday.

Similarly there were impediments in mining, environmental protection technology, science and technology, and insurance sector preventing foreign direct investment, the Minister said.

Over 200 top executives of Canadian companies attended he meeting.

Canada is ready to engage with India as it could be its "ideal partner" for business, trade and investment as both countries are democracies, members of Commonwealth and have similar history and culture, he said.

Referring to foreign investment promotion and protection agreement between the two countries, Mackay said "There is way to go. But once these impediments are relaxed it could foster closer economic ties between the two countries."

"India would be the number one supplier of new comers to Canada in the next two years," the Minister said adding Canada wants to pro-

mote more people-to-people, government-to-government, business-to-business and government-to-business contacts and student exchanges to boost trade and investment.

The contact programmes would educate people of both countries about emerging business opportunities, and help them in finding matching partners, he said.

Malaysia eyes tourism market in China

XINHUA, Kuala Lumpur

China is a very important source of tourist arrivals for Malaysia, next only to the Southeast Asian region, a senior Malaysian tourism official said here.

Malaysia will continue to make efforts to upgrade its tourism service to woo more Chinese tourists, Deputy Tourism Minister Donald Lim Sing Chai said in an interview with Xinhua.

Like many other countries in the world, Malaysia places tourism sector, the green industry, in an important position in the economic map, which contributes a lot to foreign exchange earnings and economic prosperity, said Lim.

As the most populous country, China promises a huge potential market in the tourism sector.