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BUSINESS

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China, US agree to tackle global imbalances

REUTERS, Beijing

China and the United States agreed broad steps on Friday to tackle global economic imbalances as two days of talks to ease trade and currency strains ended with good intentions but modest substance.

China also agreed to let the New York Stock Exchange and Nasdaq open offices in Beijing, while Washington gave the green light for China to join the Inter-American Development Bank.

The agreements capped an inaugural "strategic economic dialogue" intended to ensure that China's ascent as a major trading power is mutually beneficial and does not end in trade protectionism and political recriminations.

"The United States and China know that our economic relationship is best when it produces benefits for both our countries. And we know that balanced sustainable growth in China is vital to the strength of the global economy," U.S. Treasury Secretary Henry Paulson said at the end of the talks.

"We will each take measures to address global imbalances, notably through greater national savings in the United States and through increased domestic consumption and exchange rate flexibility in China, and maintaining open investment in both countries," he added.

Paulson, who had said he wanted tangible results to disarm China skeptics back home, called the talks productive.

The leader of the Chinese delega-

tion, Vice Premier Wu Yi, said the discussions had been very successful and would help to boost trade and economic relations. She said the two sides had not seen eye to eye on every issue, but that was understandable given the economic differences between China and America.

PLEDGES MORE YUAN FLEXIBILITY

Paulson said Friday that China has pledged greater exchange rate flexibility but gave no timetable as the two sides wrapped up high-level talks aimed at strengthening shaky relations.

He said this while the American and Chinese delegations announced agreements to cooperate more closely to promote trade,

open markets, protect the environment and develop cleaner energy sources.

But they gave no indication of commitments that might mollify US critics who wanted Paulson to take a hard line with Beijing on its currency, which they say is unfairly undervalued and puts US companies at a disadvantage.

"This dialogue has helped both of us to build mutual understanding and enhance trust," she said, adding a number of differences remained.

"That such differences remain is understandable because the actual situations of China and the United States are completely different," Wu said.



PHOTO: NATIONAL BANK

Md Abdur Rahman Sarker, additional managing director of National Bank Ltd, inaugurates the 88th branch of the bank in Charfashion, Bhola recently. Senior officials of the bank, among others, were present.

India promises Japan to be investor-friendly

AFP, Tokyo

Prime Minister Manmohan Singh pledged Friday to make India more attractive to foreign investors as he agreed to start negotiations on a free trade agreement with Asia's largest economy Japan.

Singh lobbied business leaders before a summit with Japanese Prime Minister Shinzo Abe, who has made building ties with India a top strategic priority in the face of frequent tensions with China.

Despite a growing political relationship, Japan invested a mere 170 million dollars in India last year, less than three percent of the amount it invested in China, according to official Japanese figures.

"I am, of course, aware of the concerns Japanese investors have about doing business in India," Singh told a luncheon with five Japanese business organizations.

"Our government will address all legitimate concerns of investors. We are committed to improving our infrastructure, simplifying our taxation regime, reducing further our tariffs and eliminating bureaucratic delays," he said.

Citing India's growing trade with Japan's sometime rivals China and South Korea, Singh said: "Japan

must regain its historic status as our most important business partner in Asia.

"On the trade front, Indian trade with both China and South Korea is booming. It grew last year at about 40 percent with both countries," Singh said.

"China's trade with India is nearly three times India's trade with Japan, and (South) Korea's trade with India is almost equal to Japan's trade with India.

"The time has come for the Japanese companies to reverse this situation," said Singh, an Oxford-educated economist.

India in 2004 replaced China as the top destination for Japan's low-interest loans, a key tool of Tokyo's diplomacy and sign of its political intentions.

But private sector investment has remained lukewarm, with experts blaming India's creaky infrastructure and strong labor protection compared with China.

As part of India's effort to attract foreign investment, Singh's government last year decided to set up special economic zones inspired by the manufacturing hubs that drove China's growth.



PHOTO: AKTEL

Fazlur Rahman, director (Coordination) of mobile phone operator AKTEL, hands over a cheque to Azizul Huq, president of Sandhani (a voluntary institution of medical and dental students of the country) Chittagong Unit, at a function recently. Sandhani will utilise the assistance for collecting blood and blood screening test.

Luxury car maker rolls out big plans for Asia

AFP, Hong Kong

China and India are expected to form the thrust of super-luxury car marque Rolls-Royce's expansion plans in the next few years, chairman and chief executive Ian Robertson has revealed.

In an exclusive interview with AFP, Robertson said China had become the company's third-largest market in the past year and India was likely to close the gap soon.

He said China's four successful dealerships would be complemented with three more in the new year, while India -- which recently witnessed a return of the brand after a 50-year absence -- would see another outlet open in 2007.

Weekly Currency Roundup

December 10-December 14, 2006

Local FX Market

Demand for US dollar was stable throughout the week and USD fell slightly against Bangladeshi taka.

Money Market

In the Treasury bill auction held on Sunday, bid for BDT 5,680.00 million was accepted, compared with total of BDT 9,000.00 million in the previous week's bid. Weighted average yield was almost unchanged.

Overnight money market was steady throughout the week. The call money rate remained unchanged throughout the week and ranged between 6.25 and 6.75 percent.

International FX Market

In the beginning of the week, the yen slid to record troughs versus the euro and 2-1/2 week lows against the dollar on Monday, as last week's soft Japanese data dampened expectations that the Bank of Japan could raise interest rates this month. The dollar steadied against other major currencies, giving back some of last week's gains made after solid US jobs data helped to ease concerns that the Federal Reserve may need to cut interest rates early next year. In Japan, expectations for a Dec. 19 rate hike had been boosted by hawkish comments from BOJ policymakers last week. But such views took a knock from softer-than-expected economic data. According to overnight index swaps, money market players cut the chance of a BOJ rate increase next week to about 50 percent from 70 percent after soft machinery orders data and a downward revision to third-quarter growth.

By the end of the week, the yen hit record lows against the euro and slid to 8-year troughs versus other European currencies on Thursday as recent week Japanese data reinforced expectations the Bank of Japan would leave interest rates steady next week. The Swiss franc hit a three-week low against the euro after the Swiss National Bank more than halved 2007 inflation forecasts after raising interest rates as expected. Investors are awaiting the BOJ's tankan quarterly survey of business sentiment due on Friday that precedes a policy meeting next week. Money markets, as measured by the yen's overnight index swaps, are pricing in only a 15 to 20 percent chance of a rate hike next week, down from 70 percent earlier this month. The dollar rose on Wednesday after a stronger-than-expected jump in US retail sales suggested consumers are holding up before the holiday season even as the housing market suffers through a sharp slowdown.

-- Standard Chartered Bank



PHOTO: UNITREND

Two new 'Berger Color Bank' outlets were opened in Jatrabari, Dhaka and Narayanganj on Monday. Masih UI Karim, managing director of Berger Paints (BD) Ltd, inaugurated the outlets while senior officials of the company, among others, were present.

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