

INCREASING TRADE AND INVESTMENT

## World Bank asks S Asian leaders to adopt bold reforms

AFP, Washington

The World Bank on Tuesday asked South Asian leaders to adopt bold reforms in a bid to increase trade and investment, relieve energy shortages and foster peace in the largely poverty-stricken subcontinent.

The bank said India should set the pace for regional integration by pushing for a dialogue mechanism to resolve political disputes and launching programs to remove infrastructure bottlenecks and trade barriers.

India is the chair of the South Asian Association for Regional Cooperation (Saarc) summit in New Delhi, which was attended by leaders from across the region.

"This meeting taking place in New Delhi is quite unique and in many ways presents opportunities that previous summits have not -- one is the fact that India is chairing," said Praful Patel, the Washington-based World Bank vice-president for the South Asia region.

"There is also a new wind blowing in India -- their sights have

shifted from just the local neighborhood, meaning India, to the global stage and therefore, performance of the region as a subcontinent is important," he said.

Patel said South Asia, unlike Europe, did not have the luxury of time for regional integration as it was "the least integrated region in the world."

"In a fast globalizing world, where the entire globe is in fact opening up for exports, you cannot really wait because market share lost once is very hard to get back and you need to really act faster," he said.

Intra-regional trade in South Asia is less than two percent of gross domestic product compared to more than 20 percent in East Asia while the cost of trading across borders is one of the highest in the world, a World Bank study showed.

Annual trade between arch rivals India and Pakistan, the bulk of which is routed through Dubai, is currently estimated at one billion dollars but the bank says it has the potential to snowball to as high as nine billion dollars.

"Intra-regional trade in South Asia can increase to 20 billion dollars by 2010 if trade barriers are lifted," Patel said.

Benefits from energy trade can also be huge, he said. Nepal has the potential to produce more than 40,000 megawatts of hydro power, most of which could be exported to India, generating six to 10 billion dollars per year of revenues to Nepal, he said.

"The more the public in the region are aware of these forgone benefits, the more likely they are to demand greater openness," he said.

SAARC is made up of Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. Afghanistan will also be formally inducted into the bloc at the summit.

A South Asian Free Trade Agreement came into effect last year, but Pakistan's refusal to grant India Most Favored Nation trading status has helped keep intra-regional trade mired at low levels.

There are some expectations that a peace process launched between India and Pakistan in

January 2004 would help enhance integration.

Shantayanan Devarajan, the World Bank's chief economist for the South Asia region, said smaller South Asia nations feared that their domestic industries would be swamped if they open up trade with India, the biggest nation in the region with a common border with the other countries.

"It may not be a valid argument but certainly a concern," he said. "Sometimes we call it the 800 pound gorilla problem."

Devarajan said regional cooperation, along with national initiatives, could play a useful role in ensuring that no country or region in South Asia was left behind.

Even as the region grew at an annual average of six percent, "rising inequality" is becoming a concern to policy-makers, he said.

Devarajan said there was a need to streamline transport and trade systems to facilitate regional trade, citing other regional competitors which have "dramatically" reduced customs and port clearance times.

## Japan inks FTA with Thailand, eyes similar deal with US, ROK

AFP, Tokyo

Japan on Tuesday signed a controversial free trade deal with Thailand, which hopes to hearten foreign investors unnerved since the kingdom's coup.

The deal slashing more than 90 percent of tariffs had been in doubt for months due to Japan's uneasiness over the military takeover and street protests by activists in Bangkok.

Easing the kingdom's isolation, Thailand's army-installed Prime Minister Surayud Chulanont paid his first visit to a Group of Eight nation since the coup to sign the deal with his counterpart Shinzo Abe.

"For Thailand, our relations with Japan are of the greatest strategic importance," Surayud said.

Surayud hopes the pact with Thailand's largest investor will ease worries in the business community about the junta's protectionist policies. The deal exempts Japan's existing investments from new currency controls that briefly sent the Bangkok market into a tailspin in December.

But hours before the signing, demonstrators burned a mock free-trade agreement in front of the Japanese embassy in Bangkok, holding a banner that said, "Free Trade Agreement with Japan is horrible. It only benefits Japan."

The agreement was negotiated by Thailand's elected prime minister Thaksin Shinawatra, whom the army ousted in September, accus-

ing him of corruption.

Free-trade negotiations between Thailand and the United States have stalled since the coup and Surayud has yet to visit any Western countries as premier.

Japan said it was not ignoring concerns. A foreign ministry official said ahead of the summit that Abe would likely call "an early return to normal democracy" during talks with Surayud.

Under the agreement, about 97 percent of Japanese exports to Thailand and 92 percent of Thai exports to Japan will be tariff-free within 10 years.

**Tokyo eyes FTA with US, ROK**

Another report from adds: Japan said Tuesday that it will study a free-trade agreement with the United States and aims to restart trade talks with South Korea, a day after its two trading partners struck a landmark deal.

"We need to study the advantages and problems (of a Japan-US free trade agreement) from the point of view of all Japanese people," Economic and Fiscal Policy Minister Hiroko Ota told reporters.

Japan, the world's second largest economy, has been seeking a growing number of bilateral free-trade deals amid the breakdown in global liberalisation talks. It has already inked trade pacts with Thailand's neighbour Malaysia as well as Singapore and the Philippines.



PHOTO: MINDSHARE

Unilever Bangladesh Ltd organised a mega promotion in association with Partex Furniture to mark the 4th anniversary of Nandan Mega Shop. Mir Tariqul Islam, who won a bedroom set, receives his prize from the authorities recently.

## CURRENCY

Following is Tuesday's (April 3, 2007) forex trading statement by Standard Chartered Bank

Major currency exchange rates			Exchange rate of some currencies		
	BC Sell	TT Buy		Per USD	BDT per Currency
US dollar	69.05	68.05	Indian rupee	43.16	1.59
Euro	93.71	89.46	Pak rupee	60.82	1.13
Pound	138.17	133.00	Lankan rupee	108.55	0.63
Australian dollar	57.72	54.13	Thai baht	34.98	1.96
Japanese yen	0.60	0.57	Malaysian ringgit	3.46	19.79
Swiss franc	57.77	54.89			
Swedish kroner	10.28	9.30			
Canadian dollar	60.76	58.25			
Hong Kong dollar	8.86	8.69			
Singapore dollar	46.53	44.68			
UAE dirham	18.96	18.38			
Saudi riyal	18.56	18.01			
Danish kroner	12.97	11.69			
Kuwaiti dinar	235.25	233.60			

\* All currencies are quoted against BDT  
\* Rates may vary based on nature of transaction  
\* The forward rates are indicative only and fixed dated.

**Local Market**  
FX: Local inter-bank FX market was active on Tuesday. The demand for USD remained stable, and the volume of cross currency transactions remained steady. The USD remained unchanged against the Bangladeshi taka.

**Money Market**  
Money market was active on Tuesday. Call money rate remained unchanged and ranged between 6.50-7.00 percent.

**International Market**  
The yen fell to a five-week low against the euro and hit a one-month low versus the dollar on Tuesday. The improving risk appetite on the back of firmer stocks prompted investors to increase investment on high-yielding currencies. One key driver of carry trades has been Japanese domestic investors who, frustrated by low rates at home, purchased higher-return overseas assets abroad -- a trend set to accelerate after the new fiscal year started on Monday. Stronger yield gave sterling a

boost against the yen with the view that the Bank of England might raise British interest rates from 5.25 percent on Thursday. Investors were also keen on the data ahead of this week's key US employment report. Soft US manufacturing data on Monday failed to shake expectations that the Federal Reserve might cut rates at some point later this year. The euro was up 0.6 percent against the yen after hitting highs last seen on Feb. 27. The dollar was up 0.7 percent against the yen while it was up 0.3 percent against the Swiss francs. The yen hit a 5-week low against the sterling. The euro was slightly down against the dollar, holding between \$1.3300 and a two-year high of \$1.3411 hit in March. The Australian dollar hit a 10-year high versus the yen and held near Monday's decade high against the dollar ahead of an Australian interest rate decision, where the market sees a better than even chance of a rate hike to 6.5 percent.



PHOTO: JBCCI

The third annual general meeting (AGM) of Japan-Bangladesh Chamber of Commerce and Industry was held in Dhaka on Saturday. Yonezo Fukuda, chargé d'affaires of the embassy of Japan, attended the AGM as chief guest where chamber president Hideo Ueno was also present.

## Nestle brings new product for children

Nestle Bangladesh Ltd has launched a new product styled 'NIDO 3+' for the children of ages between three and five years.

NIDO 3+ is fortified with Prebio 3, a blend of nutrients that helps quicken physical and mental development of children, says a press release.

The blend of Prebio 3 contains Prebio 1, EFA (essential fatty acid) and calcium. Prebio 1 keeps the digestive system healthy, EFA aids in mental development and calcium helps build strong bones.

The product was launched at a function on Friday in Dhaka where Senior Brand Manager of NIDO Nuzhat Bari, among others, was present.



PHOTO: UNITREND

Nestle Bangladesh Ltd launched a new product styled 'NIDO 3+' suitable for three to five years old children at a function on Friday in Dhaka.

## STOCK