

Asian finance ministers agree on currency pact overhaul

AFP, Kyoto

Asian finance ministers agreed Saturday to pool part of their huge foreign exchange reserves to shield themselves against a repeat of the financial crisis that rocked the region a decade ago.

Finance ministers from the Association of Southeast Asian Nations (Asean) as well as China, Japan and South Korea also voiced optimism about prospects for their economies while noting such risks as slowing global growth.

A decade after the regional financial crisis, ministers are now concerned about a tide of capital flowing into the smaller economies, whose exporters are struggling with stronger currencies that damage their competitiveness.

While in 1997 many countries in the region were running current account deficits, several now have large surpluses and swelling foreign exchange reserves because of their export-driven expansions.

"The major risk facing a country like Thailand today is very similar

to the risk back in 1997, ie the risk of volatile capital flows," said Thailand's Finance Minister Chalongphob Sussangkarn.

"The difference is that the risk at that time was on capital outflows while the risk today is on capital inflows. This is probably something that a single country will find difficult to deal with alone," he said.

In an effort to bolster their defences, ministers agreed in principle on a system of pooled foreign currency reserves to replace the existing bilateral emergency currency swap system.

Japanese Finance Minister Koji Omi hailed the agreement as "a very large step going forward."

In the wake of the 1997 Asian financial crisis, the 10 Asean nations plus Japan, China and South Korea agreed to set up a bilateral currency swap scheme known as the Chiang Mai Initiative in a bid to prevent a repeat of the turmoil.

Although the full details have yet to be thrashed out, the idea of the overhaul is to enable a country

to borrow foreign currency from another more quickly to shore up its international reserves until a crisis passes.

Ministers also welcomed "the continued strong growth" of their economies, which are enjoying rapid growth driven by powerhouse China.

At the same time they noted such risks as spillover effects from slowing overseas economies, large global economic imbalances, greater financial market volatility, rising signs of protectionism and resurgent oil prices.

"We recognised the increased globalisation of economies and agreed on the importance of policies that strengthen the region's resilience," the ministers said in a joint statement after the meeting in Kyoto, Japan.

Asia now holds the bulk of the world's foreign reserves at some 2.7 trillion dollars, led by China, which alone has more than one trillion dollars.

Economists warn that the reserves are far in excess of what is needed to ensure stability, leaving

the risk of asset bubbles.

But China for one is reluctant to relax its currency regime too quickly so as to reduce its huge current account surplus which is behind the build-up of the huge reserves.

"We want to manage Chinese capital flows very carefully," said Yu Yongding, director of the Chinese Academy of Social Science.

"We don't want speculators to attack China like they have been doing in the rest of Asia," he told a seminar on the sidelines of the Asian Development Bank's annual meeting where the finance ministers gathered.

Last year, the 10 Asean nations along with China, Japan and South Korea agreed to study the creation of a single Asian currency akin to the euro, but ministers said the issue was not even discussed this time around.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Nokia Siemens Networks to cut 9,000 jobs

AFP, Helsinki

Nokia Siemens Networks, the Finnish-German telecom networks manufacturer, said Friday it would cut 9,000 jobs by the end of 2010, or 15 percent of its workforce, including nearly 3,000 jobs in Germany.

Nokia and Siemens merged their telecoms equipment and network activities in 2006. At the time, they said they would reduce their workforce by 10 to 15 percent, which then amounted to 60,000 people.

"Nokia Siemens Networks is confirming today that it expects its adjustment to remain within that range, at approximately 9,000 employees, subject to required consultations with employee representatives," the group said in a statement.

Between 2,800 and 2,900 jobs will be cut in Germany from a total of 13,000, and some 1,700 out of a workforce of 10,000 in Finland. The distribution of the remaining cuts was unspecified.

Union representatives reacted sharply to the announced layoffs.

German union IG Metall said the decision had prompted "anger and indignation."

US job market under strain

AFP, Washington

America's job market showed signs of strain Friday as government figures revealed just 88,000 new jobs were created in April, marking the weakest reading in over two years.

A slowdown in nonfarm payroll hiring, seen as one of the best indicators of economic vitality, had been expected but the strength of the deceleration caught economists off guard. Most analysts had forecast April growth of at least 100,000 new positions.

The national unemployment rate ticked up to 4.5 percent, in line with most forecasts, from 4.4 percent a month earlier, the Labor Department said.

"Today's employment report for April gave a hint that the labor market may be starting to soften," said Nigel Gault, chief US economist at Global Insight.

The labor snapshot comes days before the Federal Reserve is due to meet May 9 to mull US interest rates, but several economists said they still expect the

Fed to keep rates unchanged next week.

The Fed's fed funds short-term interest rate has been anchored at 5.25 percent since June.

The sharp slowdown in employment growth was fairly widespread as the retail sector shed 26,000 posts, manufacturing firms trimmed 19,000 and the construction industry lost 11,000.

Auto manufacturers and home builders are two industries that have announced job cutbacks in recent months.

"The report was disappointing not only for the lack of job gains, but also for where the weaknesses were, in particular the retail sector was weak, perhaps suggesting that US consumers are pulling back a little bit, and that will have implications for growth going forward," observed Drew Matus, an economist at Lehman Brothers.

American consumers, renowned as shoppers, have shown signs of tightening their belts of late amid a housing market slump and high gasoline prices.

Microsoft, Yahoo in tie-up talks

AFP, New York

US software giant Microsoft and web portal Yahoo were reported Friday to be exploring merger or alliance to better compete against Google, but both remained tight-lipped about the rumors.

Yahoo's stock price leaped about 18 percent and Microsoft's slipped slightly after The Wall Street Journal and The New York Post reported that the technology titans might unite to take on Internet search powerhouse Google.

The Journal backed off the report late Friday, citing anonymous sources as saying that merger discussions took place in recent months but "are no longer active" but the two companies "may still explore other ways of cooperating."

The rumors are at odds with the mood at Sunnyvale, California-based Yahoo, where morale and optimism have been buoyed in recent months with the successful launch of its new Panama online advertising platform.

Moreover, for Microsoft to acquire Yahoo or make a deal for it to handle the Windows Live online search business would be an out-of-character admission of failure by the world's largest software company.



PHOTO: BANGLALINK

Mobile phone operator Banglalink opened a 'Banglalink Point' on Chowrangi Morr in Magura recently. Officials of the regional team of Banglalink, among others, were present at the inauguration.

Asean, Japan may sign FTA in Nov

AFP, Singapore

Southeast Asian nations and their giant neighbour Japan are aiming to sign a free trade deal in November, a senior official said Friday.

Association of Southeast Asian Nations (Asean) secretary general Ong Keng Yong told AFP the signing is expected to take place when the regional bloc's annual summit is held in Singapore.

The national leaders of Asean's dialogue partners China, Japan and South Korea will also attend the summit as part of the Asean Plus Three process.

"The target is for the agreement to be signed at the summit in Singapore in November," Ong told AFP by telephone from Brunei after a meeting there between Japan's Trade Minister Akira Amari and Asean economic ministers.

Ong said however that both sides still have to settle certain "modalities" in the agreement, including which products would be covered and which items will be put on the so-called sensitive and exclusion lists.

"We managed to close the gap on the issue of modality. Now,

we need to go back home and settle the internal requirements ... so that we can start actual negotiations very soon," he said.

A progress report on the negotiations will be heard when the economic ministers meet in Manila in August, Ong said.

Japan is keen to strike a free trade deal with Asean, a market of 500 million people which is also strengthening its economic links with China and South Korea.

Asean and China signed a framework agreement on comprehensive economic cooperation in 2002 and are expected to form a bilateral free trade area by 2010, which would cover nearly two billion people.

In May last year, South Korea signed a free trade agreement with Asean.

Asean member Thailand opted out of the pact due to some disagreements but could sign on later.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Singapore is due to take over the group's revolving chair from the Philippines in July.



PHOTO: APOLLO HOSPITALS

Apollo Hospitals Dhaka recently signed a corporate agreement with Union Group under which, the hospital will provide medical services and special corporate benefits to the staffs of the business house. Dr Praful B Pawar, director-Medical Services and interim CEO of the hospital, and Raquibul Kabir, managing director of Union Group, signed the agreement on behalf of their organizations.

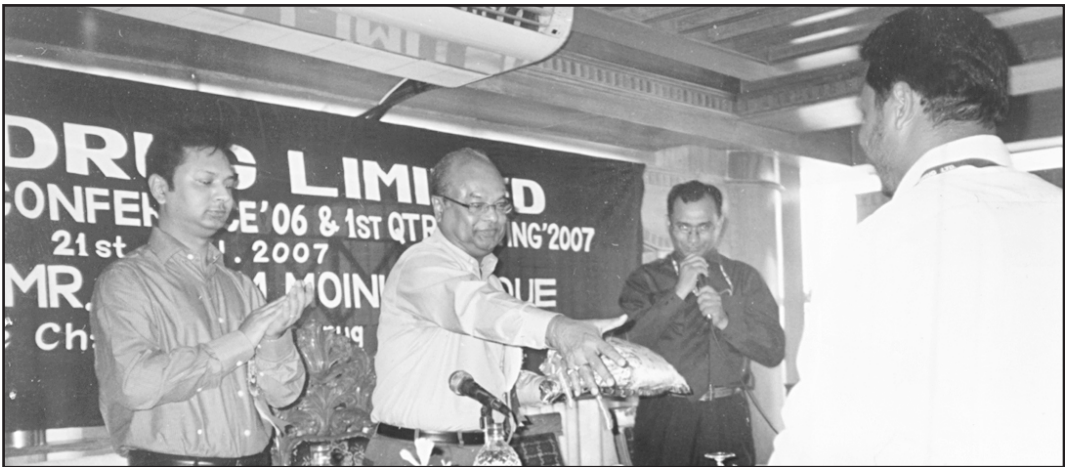


PHOTO: MAK'S DRUG

The Annual Sales Conference-2006 of Maks Drug Ltd was held recently in Dhaka. Chairman of the company AKM Moinul Haque and Managing Director Mahmoodul Haque, among others, were present at the conference.