# US farm subsidy concession revives mood in WTO talks

**AFP,** *Geneva*

Hopes of an agreement in six-year-old WTO talks on reducing global trade barriers appeared to have been revived on Thursday after the US accepted to negotiate more stringent limits on subsidies to its farmers.

Diplomats at the World Trade Organisation said the US agricultural negotiator, Joseph Glauber, had announced during talks late Wednesday that the United States accepted WTO proposals on subsidy cuts made two months ago as a basis for negotiations.

It marked a shift in the US position on the compromise proposal suggesting a limit of 12.8 to 16.2 billion dollars (9.2-11.6 billion euros) a year on its agricultural subsidies.

Until now, Washington has refused to accept a ceiling below 23 billion dollars.

"I had never heard them say that before. It's not a small thing," said Crawford Falconer, the New Zealand ambassador chairing the farm negotiations.

The European Union, which has been calling for greater concessions from the United States on farming, on Thursday welcomed the shift.

"It's a positive move which we welcome," said the spokesman for EU Trade Commissioner Peter Mandelson, who represents the 27-country bloc in the WTO talks.

The spokesman, Peter Power, said in Brussels that it demonstrated a "US commitment to negotiate on the basis of the Geneva text and we urge all partners to do likewise."

"Unless the US is committed then there is no future," he added.

The Doha round of trade negotiations covering agriculture, industrial goods and services was launched in the Qatari capital in 2001 in an attempt to increase trade flows largely for the benefit of poor countries.

However, the talks slumped into deadlock, missing a 2004 deadline amid squabbles between rich and poor countries, and disagreements between the world's leading trade powers, the United States and the European Union.

Poor and emerging market countries have notably accused rich nations of distorting the global market for farm products with their state subsidies.

A senior EU official underlined Thursday that the wider economic climate was ripe for progress on the agriculture talks, which are believed to hold the key to unlock the rest of the negotiations

"On agriculture, the economic conditions have never been better to strike a deal, with world market prices booming," said the official, who declined to be named.

"For every country, a deal should be doable, but politically, things are more complicated," he added.

Falconer made the compromise proposals on farming before the summer break in a final negotiating drive for an outline agreement this year, alongside parallel proposals for cuts in import tariffs on industrial goods.

"There are signs of optimism even if the process is not as speedy as one would expect. The chairs' papers have been helpful," the EU official said.

Falconer is due to refine his proposals based on the stance of each of the 151 WTO members next month.

Observers said Washington's concession would place more pressure on emerging and developing nations to accept the WTO's compromise proposals on industrial products.

They would involve cuts in import duties in a range of 19 to 23 percent for 28 developing nations.

Two of them, India and Brazil, have refused so far to go below 30 percent, in order to protect their nascent industrial growth.


PHOTO: ETCETERA BANGLADESH

**Actress Shami Kaiser inaugurates a corner of O2, a brand of ethnic outfit for men and women, at the Dhanmondi showroom of Etcetera Bangladesh in Dhaka. Head of Marketing and Merchandising of Etcetera Shoma Zahid, among others, was present.**

## Otobi offers 15pc discount in Ramadan

Furniture maker Otobi Ltd has launched 'Otobi Eid campaign' to sell its products at 15 percent discount during the month of Ramadan across the country.

Abu Tariq Zia Chowdhury, head of Customer Relationship Management, inaugurated the campaign at the company's Gulshan outlet in Dhaka recently, says a press release.

Other senior officials of the company were also present

## Goldman Sachs benefits in 3Q

**AP,** *New York*

Goldman Sachs Group Inc. on Thursday reported third-quarter results well ahead of Wall Street projections, as the world's largest investment bank took full advantage of its diversity to overcome a debt crisis. Rival Bear Stearns Cos. wasn't as lucky.

Faced with the worst credit markets that Wall Street has seen in a decade, Goldman said betting against the mortgage market helped it report a 79 percent boost in quarterly profit. Bear Stearns, the No. 5 U.S. investment bank, said it was on the wrong side of those bets and posted a 62 percent plunge in earnings.

Though both faced similar challenges during a period of tight credit conditions and continued erosion of the mortgage industry, analysts believe Goldman's surprise performance is linked to its diversity across both time zones and businesses. Meanwhile, Bear Stearns which has pushed in recent years to broaden its scope is still primarily known on Wall Street as a bond house.

"This is a standout performance by Goldman which, based on these results, reinforces its leadership among U.S. investment banking players in terms of its ability to adapt and profit from changing environments," Deutsche Bank analyst Mike Mayo said in a client note after the results.

The proof is in the bottom-line numbers, even after Goldman Sachs took writedowns on loans and mortgages twice as large as those of Bear Stearns.


PHOTO: RANGPUR FOUNDRY

**Banga Building Materials Ltd, a concern of PRAN-RFL Group, has launched uPVC (unplasticised Poly Vinyl Chloride) doors and foam sheets at a function in Dhaka on Monday. Rabindranath Paul, executive director of RFL Group, among other senior officials, was present at the launch.**

# Central banks have responded well to financial crisis

## Says OECD chief

**AFP,** *Paris*

Central banks have done what they had to do by injecting liquidity into financial markets and an interest rate cut by the European Central Bank could be an appropriate move, OECD head Angel Gurria said on Thursday.

The chief of the Organisation for Economic Cooperation and Development defended action by central banks to make massive injections of liquidity into the banking sector after a crisis in the US home loans market.

"I think they did the right thing, they went for stability," he said.

"Regardless of whether you are perceived to be bailing out, a disruption of financial markets will have enormous consequences on the economy at large and would further affect the economy if left unstopped," he told a news conference.

Asked about the necessity for the US Federal Reserve to proceed to a new cut in interest rates after slashing its benchmark rate by half a point earlier this week, he said simply "the markets have been for a couple of days on the upward swing."

The US Federal Reserve on Tuesday slashed its key interest rate to 4.75 percent in a bid to galvanize the US economy.

Gurria said an interest rate cut by the European Central Bank could be an appropriate move, following the US Federal Reserve gesture.

"A rate cut may go in the appropriate direction," he said following when asked about whether the ECB should cut rates.

He noted that the current financial crisis had had a more limited impact in Europe than the United States.

The ECB, the guardian of the European Union's single currency, stepped back in early September from a planned increase in its main interest rate, maintaining it at four percent.

As the euro soared to new record levels on Thursday, passing the 1.40 dollarmark, Gurria played down the impact of a strong euro on European exports.

"It is going to be more difficult to export with a euro at 1.40 dollars than at 85 cents? Absolutely yes. But the response of the exporters is that they have absorbed it and in some cases they are doing even better," than when the euro was weaker, he said.


PHOTO: OTOBI

**Head of Customer Relationship Management of Otobi Limited Abu Tariq Zia Chowdhury inaugurates the company's month-long 'Otobi Eid campaign' at Gulshan outlet in Dhaka recently. Other senior officials were present.**

## Weekly Currency Roundup

**September 16-September 20**

**Local FX Market**

The US dollar/BDT market was tight and USD remained strong against the BDT in the week. Demand for dollar was high in the local market and USD showed upward movement.

**Money Market**

Overnight money market was flat this week. The call money rate was range bound and most of the deals ranged between 6.50-6.60 percent throughout the week.

**International Markets**

Sterling fell to its lowest level in a year on a trade weighted basis and the yen strengthened on Monday as problems at Northern Rock Bank heightened risk aversion and led investors to pare back carry trades. The dollar steadied around half a cent away from the previous week's record lows versus the euro, with markets braced for a cut in US interest rates on Tuesday. However, continuing uncertainty in financial markets caused by problems at UK mortgage lender Northern Rock was the key driver of currencies. It was forced to seek an emergency credit line from the Bank of England, fanning concerns that more financial institutions could be hit by high interbank lending rates.

The dollar struck a 15-year low against a basket of currencies during the middle of the week after the Federal Reserve cut interest rates by a half percentage point, eroding the US currency's yield appeal. The Fed slashed overnight interest rates to 4.75 percent from 5.25 percent to help shore up the economy and relieve strains in money markets, sparking broad dollar selling while boosting risky assets like stocks and higher-yielding currencies. The dollar fell broadly, pushing its trade-weighted index to 79.091, its lowest since 1992, but recovered to 79.229 by 0808 GMT. Hours after the Fed's announcement, the Bank of Japan held its overnight rate at 0.5 percent, a widely expected move that prompted limited market reaction. Japanese stocks surged, with the Nikkei ending up 3.7 percent -- its biggest one-day percentage gain in more than five years. The high-yielding New Zealand dollar hit its highest level in more than a month against the dollar.

The dollar sank to fresh record lows against the euro on Thursday, weighed down by a hefty US interest rate cut and expectations of more moves to come prevailed in the market. The breach of the psychologically key $1.40 level, heralded as a pain barrier for Euro Zone exporters, came in early European trade with the move taking out the key stop-loss and option trading barriers and fuelling a broad-based euro rally. The single European currency also rose above 70 pence against the sterling for the first time in the 1-1/2 years. Investors expected more Fed cuts in the months to come while rhetoric from the European Central Bank suggests it could resume raising rates once calm return to the financial markets.

-Standard Chartered Bank

# STOCK