## International Business News

### Indian industrial output surges, beats forecasts

AFP, *New Delhi*

India's industrial output jumped by a better-than-expected 9.1 percent in September from a year earlier, data showed Thursday, fuelling hopes Asia's third-largest economy was firmly on the mend.

Industrial output was underpinned by robust consumer spending in September during the religious festival season, as well as by government stimulus and interest rates at record lows.

Manufacturing output, which accounts for 80 percent of the index, grew by 9.3 percent in September from a year earlier. Mining rose by 8.6 percent and electricity production expanded by 7.9 percent.

Economists had been betting that industrial production would increase by around seven percent after output grew by six percent in the same month the previous year.

Production slowed in September from an 11 percent rise the previous month, but the double-digit rise in August had been partly spurred by a sharply lower year-earlier base effect.

Production of consumer durables, particularly hard hit as India suffered the fallout from the global financial crisis, grew by 22.2 percent in September.

Prime Minister Manmohan Singh said earlier in the week the government would start next year to unwind stimulus measures put in place to shield the economy from the impact of the international slump.

### Chinese premier says loose monetary policy to continue

AFP, *Beijing*

China will stick to a loose monetary policy, Premier Wen Jiabao reiterated Thursday, despite mounting evidence the world's third largest economy has rebounded strongly from the global crisis.

"China's economic recovery trend has continued to consolidate but it still faces a few difficulties and problems," Wen told a forum here on the 2010 World Expo to be held in Shanghai.

"We will continue to implement the active fiscal policy and moderately loose monetary policy ... to facilitate the fast and steady growth of the Chinese economy," he said, according to a transcript of his speech posted on the Shanghai Expo's website.

Wen's remarks were consistent with those made by several senior officials recently and came a day after official data for October showed the economy was on track to exceed the government's eight percent growth target for 2009.

China's recovery from the global crisis has been driven by a four-trillion-yuan (585-billion-dollar) stimulus package unveiled last year and aggressive bank lending -- sparking speculation Beijing would soon move to tighten policies.


AFP

An Afghan farmer (L) displays apples, while Indian Ambassador to Afghanistan Jayant Prasad (R, background) looks on at Kabul International Airport yesterday, before an Air India flight carrying Afghan apples took off for New Delhi. Afghanistan exported more than 10 tonnes of apples to India, officials said, in the first step to explore much-needed international markets for its agricultural products.

### S Korea freezes key interest rate for 9th month

AFP, *Seoul*

South Korea's central bank Thursday froze its key interest rate at a record low 2 percent for a ninth month, saying uncertainties such as the spread of swine flu could still affect growth.

At its monthly policy meeting, the Bank of Korea left the benchmark seven-day repo rate unchanged.

It had cut the rate by a total of 3.25 percentage points between October 2008 and February in a bid to slow down a sharp economic downturn.

"It has recently been more evident that economic activity is in a recovery phase," the bank said in a statement.

"The Korean economy is likely to continue to maintain its positive on-quarter growth as the global economy is improving and inventories are being restocked, but uncertainty for growth persists due to factors like the spread of Influenza A."

The central bank said it would maintain its accommodative policy stance for the time being by focusing on sustaining the recovery. It took a cautious stance despite a recent series of positive economic numbers.

### Australia unemployment rises to 5.8pc

AFP, *Sydney*

Australian unemployment rose last month as growing confidence saw job-seekers return to the market, data showed Thursday, but the government warned of a further rise as stimulus money wore off.

The only advanced economy to avoid recession in the global downturn, Australia has seen its jobless figure hold steady since May helped by multi-billion dollar government pump-priming measures.

Data from the Australian Bureau of Statistics (ABS) showed the country's unemployment rate edged up to 5.8 percent from 5.7 percent in October.

It said 24,500 extra jobs were created, although that was outstripped by a surprise jump of 35,000 in the number of people looking for work.

The modest rise back to August jobless levels reflected a fairly consistent picture of employment since May, said AMP Capital Investors chief economist Shane Oliver.

APEC MEETING

# Finding ways to sustain growth

AP, *Singapore*

Nations must temper stimulus spending, ensure stable growth and strengthen financial systems to ensure a prosperous global economy in the post-crisis period, Asia-Pacific ministers said Thursday.

Finance ministers from the Asia-Pacific Economic Cooperation forum's 21 member economies huddled Thursday in Singapore to discuss the pressing challenge of finding ways to sustain growth and encourage free trade at a time of fragile economic recovery.

The weeklong forum culminates in a weekend leaders' summit weekend that includes President Barack Obama, Chinese President Hu Jintao and Japanese Prime Minister Yukio Hatoyama, among others from Pacific Rim nations.

Restoring growth potential, withdrawing stimulus packages and meeting the region's massive infrastructure needs are key challenges facing the world economy after the crisis subsides, said a joint statement due to be released by the finance ministers.

A draft of the statement, obtained by The Associated Press, said that reducing public sector debt will require more than "the mere phasing out of stimulus measures." It will need lower budget deficits and reforms that support economic growth, the draft said.

The ministers agreed to "undertake monetary policies" that take into account flexible exchange rates.

The statement also called for freer trade and warned against resorting to protectionism.

"We are committed to supporting open trade and investment to advance Asia-Pacific and global prosperity and growth ... and (we) will actively resist projectionist measures," the proposed statement said.

The ministers also commit to strengthen financial supervision and regulations to prevent excess credit growth, blamed for the biggest financial crisis the world has seen since the 1930s, the draft said.

New Zealand Finance Minister Bill English told reporters New Zealand is gradually withdrawing stimulus and new spending in 2010.

"We are pulling back from pumping money in," he said. "The concern is that the U.S. needs to keep stimulating their economy because it's in a pretty bad shape. We are in a better shape, we can afford to pull back and get a more balanced recovery so that the private sector can get up and running, providing new jobs."

AFP

Japanese Finance Minister Shinichito Furumoto talks to his counterparts Singaporean Tharman Shanmugaratnam (far-L) and Philippines Margarito Teves (front-C) during a joint press conference on the sideline of the Asia-Pacific Economic Cooperation (Apec) meeting in Singapore yesterday. Finance ministers from the United States, China and other Asia-Pacific powers rejected an early end to the huge stimulus packages they implemented to fight the global economic crisis.

English said the impact of the weak U.S. economy has been cushioned by robust Asian economies, especially China.

"We are on the road to recovery but there are going to be a few bumps along the road," he said.

A main focus for the regional dialogue remains efforts to create an Asia-Pacific free trade area, which would account for about half the world's exports and imports if it becomes reality.

Some ministers expressed optimism that Obama would support the plan given the deadlock in World Trade Organization talks.

But the plan is still some years away because of reluctance among some members, especially in Southeast Asia, to sign on to an agreement that would be dominated by the US.

"I think it's a vision that any region could aspire to but whether or not it will be achievable and when" remains to be seen, said Surin Pitsuwan, the secretary-general of the Association of Southeast Asian Nations.

"There are many, many ideas floating around ... but we have to move very, very incrementally and carefully," he said.

Apec was founded 20 years ago to promote greater trade and integration around the Pacific Rim. Its scope since has expanded to encompass a wide range of issues, including climate change, energy security and food security for the millions of vulnerable poor in the region.

In a significant breakthrough, Apec government officials agreed that leaders should discuss abolishing trade restrictions on food. The plan was recommended by the Apec Business Advisory Council, or ABAC, a council of regional business leaders.

ABAC says free trade in food would allow Apec members to use one another's strengths to produce the best and cheapest food for all.

"We have finally got to an agreement with officials that this should go on at a very high level dialogue ... we are also calling for rules to make leaders end export controls," said John Denton, an ABAC official.

COLUMN

MAMUN RASHID

# $10b forex reserve: A standing ovation

Our foreign exchange reserve crossed the US$10 billion mark for the first time on Wednesday .Due to the inherent nature of our negative trade balance, the FX reserve has traditionally been ailing until 2002; it fell to an alarming level of nearly $1 billion in October 2001.

Credit goes to NRBs' remittances, RMG exports; reduced imports due to price reduction of most of the commodities and renewed interest from the development partners to help and assist Bangladesh achieve its economic goals for reaching this milestone. Despite continuous hurdles, RMG has proven to be a resilient sector while the continuous reforms in the banking sector moved NRBs away from the informal channels of money transfer with higher number of Bangladeshi workers abroad providing additional boost.

We do not see many reasons to rejoice while assessing our performance compared to similar countries like us. However, some key persons deserve a pat on the back for the achievement of maintaining the strong upward trend of FX reserve amidst soaring commodity prices in the international markets until recently while at the same time taking courageous decision of adopting floating exchange rate.


We should also remember the crusade declared against the informal remittance channels or `Hundi'.

While the world's highest FX reserve is held by the mighty China surpassing the trillion-dollar mark, our 10 billion may seem tiny. However, a country's FX reserves if sufficient to cover for 3 months of its foreign obligations, is accepted as safe. This gives comfort to the foreign investors of the repatriation capacity of a particular country. Historically our reserves have been barely at that safe level or marginally lower. At present with the reserve at a level over USD 10 billion, covers for over 5 months of imports. With growing exports and remittances, we can even reach higher levels of coverage.

High level of reserve helps attract new foreign investments. While good level of reserve attracts FDIs, new FDIs provide further boost to the reserve resulting in a movement in a cyclic direction.

We can take the example of continuously growing FX reserve of India where the FDIs are also constantly growing. In our case too in the recent years, we have seen encouraging progress in similar direction with both new FDIs as well as reinvestments.

A question has been raised by some of our intelligentsia whether this high reserve (though it is very meagre by any standard and especially against the huge potential Bangladesh economy offers or seasonal crisis it may face) has been built up at the cost of the private sector growth or other growth sectors of the economy.

It will possibly be an injustice to Bangladesh Bank, if we want to project the fact in that way. Bangladesh Bank was not seen buying dollars from the market as frequently as we have expected to them to do, at times to support the falling dollar in order to maintain the momentum of export and remittance growth. Rather banks suffering from excess liquidity at times went to the central bank to square up in excess of the open position limit dollar holdings.

If Bangladesh Bank would not have supported dollars during the time of excess liquidity in the inter-bank market, we could have seen dollar at 63-65 taka even, which could be damaging for our exports and especially remittance of non-resident earnings through official channel. Planned way of managing forex also helped the central bank to maintain an optimum exchange rate of (+-) 70- taka to a dollar.

Bangladesh Bank has been maintaining a strictly steady course since it started its voyage of reforms. Successive central bank governors have been like on a relay race continuously passing the baton to the successor who has been strong in navigating at the same course even during turbulence. Policies have remained consistent with drive for completion of missions of the predecessors. FX and monetary policies have been managed dispassionately with specific consideration of a developing nation like ours. One result of that is Bangladesh being one of the few countries to have managed to weather the Asian crisis of the late 90s. A standing ovation is due to Allah Malik Kazemi, former deputy governor and now adviser of the central bank for his courageous and professional pursuance of the FX and monetary policies for nearly two decades helping overcome crisis periods despite continuous reforms and deregulations. I will be miser with my pen, if I don't credit his successor Ziaul Hasan Siddiqui too, an extremely biased person with regard to protecting the interest of the country and its central bank. I do remember Dr Farashuddin and his successor Dr Fakhruddin Ahmed too.

In 2001, Farashuddin was seen very active in his efforts to increase the ailing reserve to support increasing trade. He was the man to focus seriously against the `hundi' business and ensure increasing remittances through the official channel. Fakhruddin worked on fixing various points of erosion and streamlining FX earnings, by fixing the process and the platforms. Their successor Dr Salehuddin Ahmed also carried on the `torch'. Now looking back all of us as Bangladeshis, take pride of a resilient central bank, a strong FX position for which they have been the architects who maintained a low key, yet remained decisive.

Their presence has been very much imposing in our monetary management. They have been a source of confidence for all of us especially who are engaged in financial sectors, through their guidance and presence of mind in formulating numerous prudent and timely policymaking.

I would end with Dr Atiur Rahman, the current torch bearer who has the privilege to display to the nation the flavour of a USD 10 billion FX reserve. Added to this is of course his renewed focus on agriculture to shift the `terms of trade' in favour of the rural Bangladesh. However, challenges remain for him to manage inflation in view of the slowly rising international commodity prices, salary increase of the public servants and even increasing remittances, take exports back to track, synergise the domestic economy, yet paving the path for newer and increased foreign direct investments. Agriculture is good for rural employment generation, increased purchasing power and harmony in the society.

At the same time, we need to accelerate `wealth creation' by synergising the entire manufacturing sector with a robust service sector. There is also a challenge with effective and rewarding management of the FX reserve.

*The writer is a banker and economic analyst.*