

## **NEWS IN BRIEF:**

### **1. Singapore, Thailand Lead FTA Signatories in Asia**

Singapore and Thailand have emerged as the two Asian countries with the highest number of completed free trade agreements (FTA). Not far behind the two are three of Asia's largest economies, Japan, China and India with more FTAs signed. India, Singapore, Sri Lanka and Thailand are the countries which are presently conducting negotiations with most countries.

### **2. World Bank to Raise Grant Aid for Poorest Countries**

The World Bank is set to dramatically increase the amount of aid it issues in grants to its poorest borrowers. The United States, the bank's largest shareholder, has urged replacing loans with grants to help impoverished countries break a gnawing 'debt cycle' of paying down loans and needing to borrow more funds.

### **3. Pakistan, Sri Lanka Sign Free Trade Agreement**

Pakistan and Sri Lanka recently signed a Free Trade Agreement (FTA) to reinforce bilateral economic and trade relations between the two countries. The volume of annual bilateral trade of these two countries stood at \$146 million in 2004, which is expected to increase manifold with the operationalisation of the FTA. The two countries also signed an agreement to provide \$10 million credit to Sri Lanka.

### **4. India to Overtake China as Most Populous Nation**

India will surpass China as the world's most populous nation by 2030, the United Nations has said in a new study which forecasts that the global population will soar by 40 percent from 6.5 billion in July 2005 to 9.1 billion by 2050, with most of the increase taking place in developing countries.

India, at 1.103 billion people in 2005 would reach 1.593 billion by 2050, while China, which has 1.316 billion now, will reach 1.392 billion.

Just eight countries- India, Pakistan, Nigeria, the Democratic Republic of the Congo (DRC), Bangladesh, Uganda, the United States, Ethiopia and China are likely to contribute half of the world's population increase between 2005 and 2050, while the population would at least triple in Afghanistan, Burkina Faso, Burundi, Chad, Congo, the DRC, Timor-Leste, Guinea-Bissau, Liberia, Mali, Niger and Uganda.

### **5. India Signs Free Trade Deal with South American Bloc**

India signed a free trade deal with the South American Mercosur bloc to boost trade. The agreement was signed on the sidelines of a two-day G-20 ministerial conference attended by South American trade ministers in the Indian capital.

India's bilateral trade with the Mercosur countries was roughly \$1.5 billion dollars in 2004. India's exports to the South American Mercosur bloc in 2004 amounted to \$566.96 million while imports totalled \$849.69 million.

Mercosur - including Argentina, Brazil, Uruguay and Paraguay, with Chile and Bolivia as associate members - signed a framework trade accord with India in Asuncion last year outside the process of World Trade Organisation talks.

## **6. Wolfowitz Named World Bank President**

The World Bank named Paul Wolfowitz its new president. The World Bank board, which is dominated by the United States, Europe and Japan, unanimously agreed to appoint him as the successor to James Wolfensohn, 71. Mr. Wolfowitz, 61, a former US ambassador to Indonesia, replaced Mr. Wolfensohn on June 1, 2005.

## **7. Bill Gates: Richest Man for 11th Consecutive Year**

In Forbes Magazine's annual ranking of the world's richest people, Microsoft chairman Bill Gates remained at the top for the 11th consecutive year, with 46.6 billion dollars, but the gap narrowed between Gates and star investor Warren Buffet, worth an estimated 44 billion dollars.

The fastest-growing fortune belonged to the Indian-born British tycoon Lakshmi Mittal, number three on the list, with a net worth of \$25 billion. Mexican businessman Carlos Slim Helu meanwhile joined the top 10 as the fourth wealthiest individual, worth some \$23.8 billion, Forbes said.

Number five on the list was Saudi Arabian Prince Alwaleed Bin Talal Al-Saud (\$23.7 billion), followed by Ingvar Kamprad, founder of the Swedish retail group Ikea (\$23 billion) and Microsoft co-founder Paul Allen (\$21 billion).

A total of 131 new billionaires came from 27 countries, with 69 from the United States and nine from Russia, including the first Russian female, Elena Baturina, whose construction fortune is estimated to be worth \$1.3 billion.

## **8. Investment-Related Cost Declining in Bangladesh: Findings of Jetro Survey**

The 15<sup>th</sup> survey of comparative investment-related costs in 21 major cities in Asia conducted by Japan External Trade Organisation (JETRO) in March 2005 reveals that the investment cost in Bangladesh has been showing a declining trend compared to that of last year. The Survey presents data on investment-related costs on 34 cost components and reveals that, compared to other Asian countries, the relative position of Bangladesh in 8 of the components has improved in the survey period. These are wages of workers, office rent, rental of industrial estates, water and electricity charges, monthly basic cost for fixed telephones, charges for overseas telephone calls, and cost of petrol. The cost advantages for Bangladesh in all these areas are within the 4th position among the Asian countries.

Apart from the investment cost, the Survey notes two recent policy changes on procedural matters in Bangladesh, which should contribute to improving the country's investment climate. The first is the issue of "work permits for foreigners", and the other is the recent decision to issue "Visa on Arrival" to visitors from Japan and other developed countries.

## **9. New Pay Scale for Bangladesh Public Servants**

The Government of Bangladesh announced a new pay scale in May 2005 for civil servants and employees of autonomous and semi-autonomous bodies, which was effective retroactively from 1 January of the year, raising public employees' salaries, on average, by 53%. The new pay scale was introduced keeping in view the increased cost of living, which went up by more than 40% in the eight-year period since 1997 when the pay scale was last revised. The pay revision has benefited some 1.53 million public sector officials and employees, which included 0.83 million civil servants, 0.14 million military personnel, and 0.56 million non-government teachers. The new

pay scale will be implemented in three phases spread over 2½ years. In the past, pay scales were enhanced by 73% in 1977, by 122% in 1985, by 80% in 1992, and by about 66% in 1997.

#### **10. EU Agrees on New GSP For LDCs**

The European Union (EU) agreed to offer new preferential market access to the least developed and developing countries for their exports, an EU news release said. The reformed GSP will make the EU's system of preferential market access for developing countries both simpler and fairer, and will take effect on January 1, 2006. The least developed countries like Bangladesh will continue to enjoy duty and quota free access to the EU for an indefinite period under the earlier-adopted everything-but-arms initiative (EBA) of the bloc.

#### **11. World Economic Growth to Top 4% In 2005**

The world economy should be able to weather the impact of record-high oil prices and grow by more than 4.0 percent in 2005, the International Monetary Fund (IMF) chief said. His comments followed recent remarks by Asian Development Bank president that Asian growth this year will be unchanged at around 6.5 percent despite soaring fuel costs.

According to the IMF chief, the world is now more resilient than in previous moments to rapid increases in oil prices. However, surging oil prices, which briefly crossed \$70 a barrel recently, remain a major risk to global growth, along with trade imbalances - a euphemism for the gaping US trade deficit with the rest of the world.

#### **12. Japan Economy Geared Up**

Japan's decline for more than a decade - and China's rise - have led many to dismiss the world's second largest economy as something of a has-been in terms of its regional impact. But times are changing. Japan is showing signs of a sustainable, albeit gradual, recovery. And this could translate into an economic boost for Asia, economists say.

With all the attention on China, it is easy to forget how important the yen is - most Asian currencies are still highly correlated with their Japanese counterpart. As Japan's economy rebounds, Asia is expected to benefit from increased demand for regional exports, more investment and a competitive edge as the yen strengthens.

#### **13. Bangladesh in UNDP's Human Development Report 2005**

The UNDP's Human Development Report 2005 gives credit to Bangladesh for achieving successes in certain areas like expansion of health and education facilities, and income generation for women. It says that Bangladesh is among the best performers in human development as it has increased its Human Development Index (HDI) score by 20 percent since 1990.

Bangladesh is ranked 139th among 177 countries covered in the report, which ascribed Bangladesh's success in human development to active partnerships of civil society and well-targeted aid and social programmes that have expanded health sector facilities, and improved health, education and income earning opportunities for women.

The report says that Bangladesh could be a role model for UNDP by showing that sustained improvement in human development is possible even in poor countries at relatively modest levels of income growth.

Although the UNDP report had words of appreciation about Bangladesh's successes, its HDI ranking has slipped one place down from the 138th position it held in 2004. The 2005 report

ranks Bangladesh below other South Asian countries, although, except Sri Lanka and Maldives, the other countries in the region are not doing any better. In south Asia, Sri Lanka is at the top, ranked 93rd in the HDI, while Maldives is ranked 96th, India 127th, Bhutan 134th, Pakistan 135th, and Nepal 136th.

#### **14. Sri Lankan Company to Set Up Garment Industry in Karnaphuli EPZ**

A Sri Lankan company, Kenpark Bangladesh Apparel (Pvt) Ltd, will set up a high fashion garment manufacturing industry in the Karnaphuli Export Processing Zone, creating employment opportunity for 4,000 Bangladesh nationals. This will be the first investment in the Karnaphuli EPZ.

The company will invest \$16 million to manufacture annually 48 million pieces of high valued garments. An agreement to this effect was signed between the Bangladesh Export Processing Zones Authority (BEPZA) and the company recently.

Meanwhile, another Sri Lankan company, Regency Three Limited, is going to set up a high fashion garments industry in the Chittagong Export Processing Zone (CEPZ). With an investment of about \$6 million, the company will create an employment opportunity for 3010 persons. An agreement to this effect was signed between the BEPZA and the company recently.

#### **15. Malaysian Company to Set Up Garment Plant in Comilla EPZ**

A Malaysian company will set up a garments manufacturing industry in Comilla Export Processing Zone creating employment opportunity for about 2,000 people. The fully foreign owned company to be known as Whitex Garments (Bangladesh) Pvt Ltd will invest \$5 million and will produce 6.24 million dozens undergarments annually. An agreement to this effect was signed between the BEPZA and the company recently.

#### **16. FDI Inflows into Developing Nations Rose 40%**

The UN Conference on Trade and Development (UNCTAD) foresees favourable prospects for foreign direct investment (FDI) worldwide in 2005.

In 2004, FDI inflows to developing countries surged by 40 per cent to \$233 billion, while developed countries as a group saw a 14 per cent drop in their inward FDI. As a result, the share of developing countries in world FDI inflows was 36 per cent, the highest level since 1977.

FDI growth in Bangladesh is the second highest in Asia (72% growth) after Pakistan, where FDI increased by 74%. India suffered an 8% decline in FDI inflows.

#### **17. IMF Writes Off Poor Countries' Debt**

Eighteen of the poorest nations will have their debts to the International Monetary Fund wiped out. The leaders of the Group of Eight nations pledged at a July meeting in Gleneagles, Scotland, to cancel all debt owed to the international institutions by the world's poorest states.

The Plan drafted by the G8 - Britain, Canada, France, Germany, Italy, Japan, Russia and the United States - would wipe out an estimated \$40 billion in multilateral debt owed by the poorest countries. About 70 per cent is owed to the World Bank, with the remainder due to the IMF and the African Development Bank. The World Bank shareholders are expected to follow the IMF's lead and also cancel the 18 countries' debts to it.

The 18 countries which have completed economic reforms mandated by the IMF and the World Bank in exchange for debt relief are : Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda and Zambia. A further nine countries could become eligible in the future and total relief could rise to \$55 billion.

### **18. Inflationary Pressure Up in Bangladesh**

Bangladesh has experienced rapidly rising inflation in the recent months. In May 2005, the inflation rate was 5.62%, which went up to 7.68% in July.

The inflation rate in Bangladesh has nearly always been influenced by foodgrain prices, which this year have gone up sharply in the world market. Large foodgrain imports have therefore resulted in high food prices in the domestic market. The food price index was 6.58 percent in May and 9.18 percent in July this year. The corresponding non-food prices were 4.39 percent and 5.47 percent, respectively.

Apart from rising food prices, high prices of petroleum products in the global market have contributed significantly to the present inflationary situation. The Government had to raise the prices of power, gas and fuel on several occasions, which, in turn, led to higher costs of production and services.

### **19. Nobel Economics Prize for 2005**

Robert J Aumann, an Israeli-US citizen, and Thomas C Schelling of USA won the 2005 Nobel Economics Prize for using game theory to explain conflict resolution, the Nobel jury said.

Using game theory - interactive decision scenarios - the laureates focused on why some people and countries manage to cooperate, while others suffer from conflict. Their work has helped understand trade disputes, organised crime, political decisions and wage negotiation, as well as outright shooting wars.

Schelling, now 84 and Professor Emeritus at Maryland University, produced his main work during the Cold War which pitted the United States against the Soviet Union, using game theory methods to explain the era's most vital issues, global security and the arms race.

Having worked on the Marshall Plan - the US post-war aid programme for battle-ruined Europe - and at the White House in the 1950s, Schelling was well placed to examine the rationale behind the superpowers' nuclear standoff. His seminal work 'The Strategy of Conflict' became a classic and has influenced generations of strategic thinkers, the jury said.

Building on Schelling's original ideas, Aumann then applied the tools of mathematical analysis to highlight the alternatives available to one's own country and the opponent in times of conflict. Aumann, who is 75 and worked at the Centre for Rationality at Jerusalem's Hebrew University, went on to show that the choice for cooperation rather than war is more easily achieved in long-term relationships rather than single encounters.

### **20. Euro Zone Inflation Hits the Highest Rate Since 2001**

Eurozone inflation jumped in September 2005 to the highest annual rate since June 2001, revised data showed. The leap in inflation, from 2.2 percent in August to 2.6 percent in September, means that the European Central Bank (ECB) is almost certain to maintain the "strong vigilance" stance it adopted at its interest-rate setting meeting earlier. Preliminary estimates had put September's inflation rate at 2.5 percent.

The pick-up in price pressures could fuel speculation that the ECB will increase interest rates this year. The ECB aims to keep inflation within its definition of price stability - a rate "below but close" to 2 percent.

## **21. World Cereal Output to be 1984 Million Tonnes in 2005**

According to the Food and Agriculture Organization (FAO), world cereal production in 2005 will be 1984 million tonnes, 3.4 percent less than the 2004 output.

The forecast for global *wheat* output in 2005 has been put at 614 million tonnes, 2 percent less than the record crop of 2004 but still above the average of the past five years. Higher forecasts for Australia, Canada, China, Russia and the United States have been only partly offset by reduced production prospects in South America, North Africa and parts of Europe.

Global 2005 *coarse grain* output forecast at 958 million tonnes, is some 6 percent below last year's record level, but still well above the average of the past five years.

FAO's latest forecast for global *paddy* output in 2005 stands at 615 million tonnes, 6 million tonnes less than expected earlier but still a record 9 million tonnes above the previous year's crop. All major rice producing countries of Asia, Africa and Americas will share this increase.

In the United States, Hurricane Katrina, which hit the Louisiana Gulf Coast recently, appears to have caused only minimal damage to rice crops in Louisiana and Mississippi and, according to the latest USDA estimate, production in the country is now expected to approach 2004's exceptional level.

In Australia, the 2005 crop estimate has been reduced to a record low, reflecting a further downward revision to drought-affected yield estimates. Drought may also have impaired crops somewhat in the European Union, which, together with a contraction in plantings, is anticipated to result in a 3 percent reduction in production

## **22. Thirteenth SAARC Summit Held in Dhaka, 12-13 November, 2005**

The thirteenth Summit of Heads of State and Government of the seven South Asian Countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) that constitute the South Asian Association for Regional Co-operation (SAARC) was held in Dhaka on 12-13 November 2005. The Summit adopted a 53-point Dhaka Declaration aimed at creating an enabling environment for the establishment of a South Asian Economic Union.

The Declaration contains major decisions aiming at two main objectives to give a meaningful shape to regional cooperation in South Asia by operationalizing the SAFTA Agreement (adopted in the 12th SAARC Summit) by 1 January 2006 and to make it a driving force for accelerated growth, progress, and stability of South Asian Countries. The Summit also put special focus on a set of important areas like poverty alleviation, combating terrorism, disaster management and addressing social challenges.

The Summit admitted Afghanistan as the eighth member of SAARC, subject to completion of formalities, and gave observer status to the People's Republic of China and Japan.

### **23. Interest Rates of Bangladesh National Savings Schemes Raised**

The interest rate on Bangladesh National Savings Schemes has been raised by 1.30 per cent and the investment limit in these schemes, except Pensioners Savings Certificate, has been doubled to make the investment tools more attractive.

The maximum limit in Bangladesh Savings Certificate, Three-monthly Profit-earning Savings Certificate and Post Office Savings Account has been raised to Tk 5.0 million from Tk 2.5 million in the case of individual account, and to Tk 10 million from Tk 5.0 million in the case of joint account. The investment limit of Pensioners Savings Certificate has been raised to Tk 3.0 million from Tk 2.5 million.

### **24. \$200 Million World Bank Credit for Governance Reforms in Bangladesh**

The World Bank recently approved a \$200 million development support credit to assist the ongoing core and sectoral governance reforms programme of the Bangladesh government. This is the third phase of the bank's DSC support aimed at assisting the government in addressing key governance constraints by strengthening public expenditure and budgetary management to improve public procurement, modernize tax administration, and enhance the delivery of public services. The DSC also targets sectoral governance reforms in banking and state-owned enterprises, energy sector reform, and the government's trade liberalisation agenda.

### **25. Japan to Give Tk. 400 Million for Portable Steel Bridges**

The Government of Japan will give Bangladesh 679 million yen (about Tk 400 million or \$6.4 million) as grant aid for installing or repairing portable steel bridges to improve rural road networks. The project will be executed by Local Government Engineering Department. Under the project, 92 dilapidated bridges in 17 districts will be repaired and new portable steel bridges will be built in rural areas to ease traffic of goods and people.

### **26. Indian Economy Grows 8.0%**

India's economy expanded by 8.0 per cent in the second quarter of the financial year 2006, driven by a strong manufacturing and services sector, government data showed. The growth was only marginally lower than the 8.1 per cent clocked in the first quarter of the year to March 2006. But it was way above the 6.7 per cent logged during the same quarter a year ago. The performance came despite a dip in farm sector output. The agriculture sector accounts for nearly a quarter of India's gross domestic product and employs 70 per cent of the workforce in the country of more than one billion people. The Indian Government has forecast that the economy will expand by 7.0-7.5 per cent during this fiscal year.

### **27. LDCs to Get More Time for Intellectual Property Rules**

The world's poorest countries recently won more time to abide by global intellectual property rules such as trademarks and copyright, but a final deal on access to cheap medicines remained elusive. The World Trade Organisation (WTO) agreed at a meeting in Geneva to extend a deadline for the least developed countries to get in line with international regulations, which had been due to expire on January 1 2006, until July 2013.

However, there was no such progress on the drugs' issue. The WTO agreed two years ago to allow member countries under certain conditions to waive patents on medicines to let poorer nations import cheaper copied versions when facing health emergencies such as AIDS. But the accord needs to be written into the WTO's treaty on Trade-Related Aspects of Intellectual Property Rights in a formal amendment, and it is here that problems have emerged.

Until a deal emerges, poorer countries can still use the waiver on drugs' patents agreed in 2003 to import from countries such as India, which produce cheaper generic copies of medicines whose patents are often held by big US or European firms.

### **28. Us Deficit all-Time High**

The US trade deficit soared to a record in September 2005 as the Gulf Coast hurricanes helped push America's foreign oil bill to an all-time high. The deficit with China also set a record.

The US Commerce Department reported that the deficit jumped to \$66.1 billion in September, 11.4 percent higher than the \$59.3 billion imbalance recorded in August. It reflected in part a record \$23.8 billion in oil purchases as the price skyrocketed, reflecting widespread shutdowns of production facilities following hurricanes Katrina and Rita. So far this year, the deficit is running at an annual rate of \$706.4 billion. This puts the country on track to far surpass the old deficit record of \$617.6 billion set last year.

### **29. Saudi Arabia becomes WTO's 149th Member**

The World Trade Organization (WTO) members recently approved Saudi Arabia's admission to the WTO. The WTO's ruling General Council, which groups all 148 current member states, gave Saudi Arabia the go-ahead at a special session in Geneva, after more than a decade of negotiations. Saudi Arabia was formally admitted to the WTO on December 12, just in time for the organization's Hong Kong conference, which started the following day.

### **30. WB Forecasts Slower Economic Growth in South Asia in 2006**

Increased political instability in Bangladesh and Nepal, flooding in Bangladesh and the after-effects of Tsunami in Maldives and in Sri Lanka caused slow GDP growth according to a World Bank report.

GDP growth in South Asia is estimated at 6.9 percent in 2005, up from 6.8 percent in 2004. For 2006, regional gross domestic product is expected to slow to 6.4 percent.

Growth in Bangladesh, Nepal, Maldives and Sri Lanka, meanwhile, is expected to decelerate from 5.9 percent in 2004 to 5.1 percent this year, says a WB press release. But the situation is slightly better in South Asia's two large nations - India and Pakistan. According to the WB report, this year's performance reflects stable growth of about 7.0 percent in India and a 6.6 percent growth in Pakistan. This strong growth can be attributed to increased consumption, investment, exports and industrial production in both countries. While the October 2005 earthquake in Pakistan had catastrophic human consequences, its overall economic impact is expected to be small.

Long-term growth in South Asia is forecast to average around 5.5 percent during 2007-15, reflecting a rising contribution to growth from the private sector. Trade reforms, banking-sector liberalisation and re-regulation, privatisation, and infrastructure developments are all expected to improve the investment climate, productivity growth, and ultimately incomes.

### **31. Indian Exports Expected to Reach \$100 Billion**

India hopes its goods exports will reach \$100 billion this financial year, after a 22 percent annual increase in the first seven months. The Government has an official target of \$92 billion for exports in the financial year, which ends on March 31, 2006, and for India to constitute one percent of global trade by 2007 from 0.67 percent at the end of the last financial year.

India's Trade Minister said that exports were driving the Indian economy, which the central bank forecasts will grow 7.0-7.5 percent this year, and said 24 percent growth in exports last year indirectly created 1 million jobs.