

# BCCI buttered up US officials

WASHINGTON, Aug 2: The Bank of Credit and Commerce International served as a worldwide heaven for thousands of criminals, undermined Third World economies and stayed in business only by buttering up top US officials, a congressional panel was told on Thursday, reports Reuter.

And despite signs of trouble at BCCI as long ago as the 1970s, regulators waited until last month before they closed the Bank, said Senator John Kerry.

Peter Burleigh, State Department Coordinator for Counter-Terrorism, told Kerry's Senate subcommittee the United States and its allies had closed businesses operated by the Abu Nidal guerrilla organisation through the Warsaw branch of BCCI.

The Abu Nidal Group, based in Libya, is believed responsible for the 1985 massacres at Rome and Vienna airports and other attacks against Western interests. As the scandal, called the biggest Bank fraud in history spread its tentacles, US banking regulators said the Central Intelligence Agency never told them of a 1986 report disclosing that the BCCI had held a hidden interest in Washington's largest Bank since 1982.

which has branches in the American capital and several states.

The Federal Reserve approved the 1982 takeover of First American Bank by a group of Arab investors only after receiving assurances from First American Chairman Clark Clifford, a former Defence Secretary and senior Democratic Party Member, that BCCI would have no control or influence over the bank. Kerry said, "red flags were present, almost from the beginning." "What is amazing and frustrating is that BCCI's day of reckoning has been so long delayed," he said.

The Senate probe into the BCCI scandal comes amid growing allegations of corruption from drug money laundering to bankrolling gun-runners — and an increasing number of questions about how much Bank regulators knew and when they knew it.

BCCI had previously escaped scrutiny by winning the trust of influential people, said Kerry.

Commissioner William Von Raab said influence peddling was behind the investigative go-slow. "It was a combination of a general softening of resolve in the senior US officials by the incredible pouncing by the influence-peddlers in Washington," he said.

"The result is that senior US policy-level officials were constantly under the impression that BCCI was probably not that bad because all these good guys who play Golf with all the time were representing them," Von Raab added. But away from the Golf Circuit, BCCI was allegedly wading knee-deep in crime before the July 5 shutdown.

Sensors on the Foreign Relations Subcommittee on Narcotics and Terrorism were also told the Bank was in business just to serve thousands of criminals, such as former Panamanian leader General Manuel Noriega.

Jack Blum, a former Senate investigator, said a former BCCI official told him, "the Bank was in business to service

roughly 3,000 criminal clients in addition to General Noriega, and that the rest of the Bank's operations were a cover for this, its central business."

Blum also said the Luxembourg-based Bank was a conduit for people to drain funds out of ailing Third World economies. There was a "looting of the Third World by some very rich people who made themselves richer," Blum said.

Von Raab told the Panel his agency began investigating BCCI in late 1987 on money laundering charges. By 1988 Von Raab said he realised "BCCI was a very unusual and probably a highly criminally oriented organisation."

In January 1990, BCCI pleaded guilty to money laundering charges as part of a plea bargaining agreement with the Justice Department, but Von Raab said he was disappointed that the agreement was not tougher.

Blum also complained that Justice Department officials were slow to investigate the allegations against BCCI.

# Gorbachev eager to depend on US economically

MOSCOW, Aug 2: The normalisation of economic relations agreed upon at the Moscow summit contains the seeds of an unequal partnership that may eventually benefit both super powers, reports AP.

But the true fruit of the Moscow summit could grow from President Bush's discussion of business realities with Soviet President Mikhail S Gorbachev and the leader of a key Central Asian republic.

Gorbachev actually said he looks forward to being economically dependent on the United States because it would make the superpower relationship more predictable and understandable. "We want as much economic dependence on the United States as possible," presidential spokesman

Vitaly Ignatenko quoted Gorbachev as telling Bush.

Bush pledged to encourage development of two-way trade by seeking elimination of long-standing tariffs that inhibit imports of Soviet goods and the repeal of laws that inhibit US investment in Soviet projects and limit credits extended by the Export-Import Bank.

New tax and investment treaties, to be completed by the end of the year, "will create a better investment climate between us," Bush said.

But retiring US Ambassador Jack F Matlock Jr said the Soviets still must overcome some deeply rooted ideological concepts before they can attract foreign investment with the potential to pull the economy out of its tailspin.

First, he said, the Soviet legislature must complete the process it has begun toward legalization of private property. "They're part-way there," he said, but the lawmakers will have to do more before foreign investors will be willing to risk substantial amounts of capital in Soviet projects.

And second, Matlock said, they must overcome their resistance to sharing rights to the country's wealth of natural resources. "There's still a pretty strong sentiment that this is selling the birthright," Matlock told the Associated Press. "They're going to have to get over that because, if they're going to get large amounts of foreign investment, it's going to be in the energy field."

# SAARC to launch tourism promotion scheme soon

NEW DELHI, Aug 2: The South Asian Association for Regional Cooperation (SAARC) would soon launch a scheme for promotion of regional tourism, local press reports said here today, reports Xinhua.

It would also set up a SAARC Chamber of Commerce under the new areas identified for developing people-to-people contact between the seven member countries, the reports quoted SAARC Secretary General KK Bhargava as saying.

Delivering a lecture on 'SAARC-Process and Prospects of Regional Cooperation', organised by the India's Rajasthan chapter of the Society for International Development (SID), Bhargava said that SAARC travel vouchers would be issued to the tourists visiting the SAARC countries for the promotion of regional tourism.

The vouchers would do away with the foreign exchange problem and would be cleared by Asian Clearing Union. However, the facility would be made available for organised tours only, he said.

Similarly, the SAARC Chamber of Commerce would involve non-government organisations in the regional cooperation, he added.

# Soviet grain imports likely to soar with western credit

LONDON, Aug 2: Soviet grain imports are expected to soar in this year supplement a drought-hit domestic crop and take advantage of extra credit from western exporters, the International Wheat Council (IWC) said on Thursday, reports Reuter.

It said Soviet grain purchases abroad were likely to rise 40 per cent to 35 million tons in the crop year from last month to next June compared with the 1990-91 period.

The council, which is composed of nearly 50 importing and exporting nations, expected the Soviet crop to fall sharply after last year's near record yield, dropping nearly 37 million tons to 196 million because of the drought in many areas and lower planting this season.

In addition, harvesting has again been hampered again by widespread shortages of oil, diesel fuel and machine spares, so the crop could be lower, the IWC said in a new report.

Commodity analysts say the cash-starved Soviet Union, the world's biggest grain importer, is likely to buy heavily on the international market to head off the threat of unrest from a hungry population.

It has already sought to raise cash for food imports by selling such exportable commodities such as industrial and precious metals, or by swapping them for cash-selling now with a pledge to buy them back later.

The IWC believes growing pressure from farmers in exporting countries could encourage western governments to grant more credit to the Soviet Government. Western growers, struggling with huge surpluses, are keen to find outlets for their produce.

"The drop in domestic grain production implies a sharp rise in the USSR's import requirements," the IWC said.

"Given the importance of the Soviet market in world grain trade, and mounting agricultural and trade pressure in the exporting countries, it seems probable the USSR will succeed in obtaining more credit," it added.

Imports could be even higher if the country obtained sufficient funds, it said.

# Remittances fall in Arab states

ABU DHABI, Aug 2: The seven-month-old Gulf crisis has hurt the economies of many countries but Arab states not lucky enough to have oil reserves were hit hardest and the biggest damage was a plunge in remittances, reports AFP.

"Remittances from Arab expatriates in the Gulf were the main victim of the crisis after thousands of them were forced to return home," said a Gulf-based economic expert.

"There is no doubt this will have a devastating impact on the economies of poor Arab countries as they have depended heavily on the flow of remittances," he added.

Worst affected were Jordan, Sudan, Yemen and the Palestinians — parties that sided with Iraq during the Gulf war and whose economies were built mainly on remittances and government aid

from the oil-rich Gulf Cooperation Council (GCC). Most were already suffering from high debts, trade and balance of payments deficits.

Between 1975 and 1989, they received more than 60 billion Dollars in aid and remittances from the GCC states — Saudi Arabia, Kuwait, Oman, Qatar, Bahrain and the United Arab Emirates (UAE).

Remittances alone stood at around 28 billion Dollars, of which Jordan and Yemen received over 70 per cent.

"There have been varied effects of the Gulf crisis on non-oil, Arab countries," said Osama Al-Faqih, Chairman of the Abu Dhabi-based Arab Monetary Fund (AMF), which groups the 21 Arab League members.

No figures have been provided for the decline in remittances but as many as two millions Jordanians, Yemenis,

Sudanese and Palestinians have returned home because of the Gulf war, with Yemenis accounting for more than half.

Experts believe the problem will worsen as more expatriates are expected to leave the Gulf as a result of their governments' sympathy with Iraq's August 2 invasion of Kuwait.

Kuwait has said it plans to cut down its large foreign community to make its indigenous population a majority. Kuwaitis did not exceed 30 per cent of the country's two million people before the invasion.

Palestinians, who numbered some 4,00,000 in Kuwait before the invasion, now must return to their homes. More are expected to go home.

Remittances from the nearly 4,00,000 Egyptians in the GCC totalled around 39 billion Dollars.

# US cites 12 cos as agents of Libya

WASHINGTON, Aug 2: The US Treasury Department announced Thursday that 12 companies, including three affiliates of a Texas oil firm, have been named agents of the Libyan government and thus banned from doing business with Americans, reports AP.

"The Treasury said the action was part of its efforts to enforce the US economic embargo against the North African nation."

"The recent Libyan economic expansion into Western Europe increases Moammar Gadhafi's ability to promote and finance terrorist activity," said R Richard Newcomb, director of the Department's Office of Foreign Assets Control. "The US attitude cannot be 'business as usual.'"

The Treasury said control of three affiliates of the Coastal Corp. of Houston has been transferred to Libya. They are Holborn Europa Raffinerie of Hamburg, Germany; Holborn European Marketing Co Ltd and Holborn Investment Co Ltd, both of Larnaca, Cyprus.

In addition, three principal offices of Libya's state-owned Foreign Petroleum Investment Corp. commonly known as Oil Invest, have been listed as Libyan agents, together with six firms located in Malta. The oil invest firms are located in the Netherlands, the Netherland Antilles and Switzerland.

Twenty-one individuals including key officers and managers of Oilinvest and the Libyan-controlled entities of the Holborn Group also were added to the list. None live in the United States.

Those on the list are considered "specially designated nationals" of the government of Libya, bringing them under the embargo and asset freeze imposed against Libya by President Reagan in 1986.



A Worldnet Dialogue on 'The US Economic Assistance and the Role of Private Sector in Development,' linking participants in Dhaka, Kathmandu, Colombo, was held at the USIS American Centre on Wednesday. Washington panelists were Ms Henrietta Hoisman Fore, USAID Assistant Administrator for Asia, and Gordon Rausser, former USAID Chief Economist. Bangladesh participants were (from left) Mahmoodul Haq, Acting Executive Chairman, Board of Investment, Dr Montaz Uddin Ahmed, Professor and Chairman, Department of Economics, Dhaka University, Mobassar Hussain, Executive Director, MIDAS, USIS Information Officer Carlos Aranaga (extreme left) moderated the programme. — USIS photo

# Dollar rises in London

LONDON, Aug 2: The Dollar rose here Thursday in anticipation of encouraging US unemployment figures, amid calm trading as the summer holidays took hold, reports AFP.

The Dollar closed at 1.7590 German Marks, up from 1.7450 Marks Wednesday, and was expected to rise toward the 1.80 mark level with Friday's publication of statistics expected to show US joblessness stable at seven per cent.

Some dealers meanwhile questioned Germany's willingness to raise interest rates after new Bundesbank head Helmut Schlesinger said it would be inappropriate to use monetary policy to fight inflation. This view triggered selling of Marks against Yen, which indirectly supported the Dollar, dealers said.

# GATT accord on textile trade lauded

countries had wanted.

In Manila, a spokesman for the Philippine Garments and Textile Board said "we have taken the same position" as other members of the Association of Southeast Asian Nations (ASEAN).

The six ASEAN countries wanted "improvements in the MFA, like no further restrictions," she said.

In Tokyo, an official of the Ministry of International Trade and Industry said the accord represented a step toward completion of a new GATT agreement, blocked so far by complex and politically sensitive trade issues such as agricultural subsidies.

In Seoul, a trade and industry official said South Korea, which exports about 15 billion Dollars worth of textiles annually, believes its existing

# Oil prices up in New York

LONDON, Aug 2: Oil prices rose again in New York on Thursday, underpinned by further demand for petrol in the United States, traders said, reports Reuter.

Light crude oil futures for September traded on the New York mercantile exchange were up eight cents at 21.76 Dollars a barrel at 1730 GMT.

"We're seeing a follow-through to the upside from yesterday," one New York oil futures trader said.

Falling US petrol stocks and the closure for repairs of a petrol producing unit at a Texas oil refinery drove prices up on Wednesday.

European prices also rose slightly. Brent Blend, an international oil benchmark, was up six cents to 19.80 Dollars a barrel in late trade on London's international petroleum exchange.

# Mass starvation imminent in Iraq

WASHINGTON, Aug 2: Widespread famine will strike Iraq if food supplies are not increased, several human rights organisations told Congress Thursday, reports AFP.

Lawrence Pezzulo with Catholic Relief Services told the House Select Committee on Hunger that mass starvation was imminent and that people had begun to eat food intended for livestock.

He also said families were selling household goods in order to buy food and that people were flocking from the country to the cities to find work.

He also said families were selling household goods in order to buy food and that people were flocking from the country to the cities to find work.

"Iraq is on the brink of a major humanitarian crisis," he said.

Richard Reid with the United Nations Children's Fund said the price of a dozen eggs had reached about 53 Dollars in Iraq, where the average wage earners makes about 240 Dollars a month.

He added that last week, Iraq's supply of water purification chemicals had dropped to 10-day reserve.

The state department announced Thursday that it would not follow Australia's example and release Iraqi assets to allow Baghdad to purchase food.

"US private and official claims against Iraq far exceed the total official Iraqi assets now held in US banks," said Melinda Mimble.

# Indians used BCCI to take money out of country

WASHINGTON, Aug 2: Indian industrialists and government officials used the Bank of Credit and Commerce International to take money out of the country illegally and to evade taxes, an investigator working for the Indian government said on Thursday, reports Reuter.

The investigator, Mike Hershman, told NBC Television news, he had evidence that tens of millions of Dollars were alleged to have been diverted from India to BCCI accounts in the United States by top Indian industrialists and aides to the then-Prime Minister Rajiv Gandhi.

Hershman said the US Internal Revenue Service (IRS) refused to investigate money laundering and tax evasion charges against BCCI in 1986 even after he gave them the evidence.

The Indian Finance Ministry also failed to interest the Federal Tax Agency in a joint investigation of the money diversion and tax evasion in both countries, NBC said.

"BCCI was not a Bank, it was a criminal enterprise," Hershman said. The IRS told NBC it would be precluded by confidentiality laws from commenting on the allegations.

# \$40 m donation to Rajiv Foundation dropped

NEW DELHI, Aug 2: In its first major reversal, the government Friday dropped its offer to donate 40 million dollars to a private fund named after former Prime Minister Rajiv Gandhi and administered by his widow, reports AP.

Opposition parties had threatened to bank together against Prime Minister P.V. Narasimha Rao's 6-week-old minority government and vote it out of office if it persisted with the plan.

Finance Minister Manmohan Singh told Parliament the government was withdrawing its pledge to contribute 1 billion rupees over five years to the Rajiv Gandhi Foundation upon the request of the foundation itself.

The pledge was a rare glimmer of generosity in an otherwise austere budget presented last week. Critics linked the pledge to another proposal to cut fertilizer subsidies to farmers and accused the government of political opportunism.

Sensing public disapproval, members of the ruling Congress Party once headed by Gandhi urged Rao to back away from the idea.

The foundation was created after Gandhi's May 21 assassination to promote projects applying modern technology for development, environmental protection and spreading literacy.

# S Korea-Taiwan economic ties to grow

TAIPEI, Aug 2: South Korea and Taiwan pledged closer economic ties at the end of five days of trade talks on today despite a growing possibility Seoul will soon establish relations with Taipei's diplomatic arch-rival, Beijing, reports Reuter.

"We should strengthen economic ties because both countries are facing rising competition from cheap-labour countries in Asia, Taiwan's Economics Minister Vincent Siew told reporters.

The countries, pledged to increase purchases from each other to help to reduce their chronic trade deficits with Japan. Taiwan agreed to increase its annual car imports from South Korea by 30 per cent to about 8,800 cars.

South Korean Finance Minister Rhee Yong-Man said there was considerable room for expansion of trade, which totalled 2.56 billion Dollars last year, about two per cent of each country's total trade.

# BCCI closure seen as plot against Third World

ABIDJAN (Ivory Coast), Aug 2: Governments, presidents and small businessmen are clients of the scandal-plagued Bank of Credit and Commerce in Africa, where its failure is being portrayed as a plot to keep the Third World down, reports AP.

Governments in four of the 21 African countries where BCCI operated have kept subsidiaries open, and some have no plans to investigate charges that include drug money-laundering and channelling funds for terrorist activities.

Closure of most of the Bank's worldwide operations, beginning with a surprise announcement by the Bank of England on July 5, is part of a

ferce campaign gaining momentum these days and aiming to besiege elements of Islamic potential," said Hassan Turabi, a powerful Muslim politician in Sudan.

"The Bank had been flourishing and, from the view of the superpowers, had surpassed the limits they have set," said Turabi, a former cabinet minister and secretary general of the newly formed Arab and Islamic People's Conference. BCCI has prospered in Africa, where it set up shop in trademark smoked-glass towers.

The Bank started by Pakistani entrepreneur Agha Hasan Abedi and funded by Abu Dhabi's fabulously wealthy

ruler, Sheikh Zayed bin Sultan al-Nahayan, pursued its proclaimed aim of promoting self-reliance in the Third World.

Highly-placed banking sources in Abu Dhabi said the Abu Dhabi government's stated position underscores restructuring of BCCI and cautions against outright liquidation.

The Bank provided the only alternative to Western institutions.

"They look after the small man and they're always being good to me," said Axel Hlatwayo, a retired railway worker in Harare, Zimbabwe, who opened a small store with a BCCI loan that matched his 8,000 dollars deposit.

All the big banks turned

him down, Hlatwayo said. "Maybe that's what upset the other banks, and maybe it's the other banks that have started this."

BCCI remains open in Zimbabwe, where the government has controlling shares of 53 per cent. It also has remained opened in Ghana, Swaziland and Zambia, where the governments have minority shares.

Not all depositors are reassured, however. The local council of Zimbabwe's second-largest city, Bulawayo, withdrew its millions of dollars in deposits despite government appeals.

Zimbabwe's finance minister, Bernard Chidzero, said

there was no reason to believe the Bank in Zimbabwe was involved in the scandal.

There also are no plans for an investigation in Nigeria, believed to be one of the world's drug-trafficking centers. Nigeria is black Africa's most powerful nation.

BCCI Nigeria changed its name on July 12 to the African Bank International and announced that the central bank was organizing for Nigerians to buy out the 40 per cent of Arab shares. Egypt and Swaziland also are trying to nationalise BCCI subsidiaries.

The US newsmagazine Time reported that Nigeria received \$1 billion in loans from BCCI London following

violent anti-government protests in 1989.

Time gave no details but linked the loan to other bribes and inducements reportedly paid to governments and customs officials all over the world.

Nigeria denied the allegation. "There is no lota of truth in the report and I wonder how any responsible newspaper will publish such false and mischievous report," Vice President Adm Augustus Akhohu said.

Central banks charged with investigating BCCI subsidiaries are in an awkward position because their governments often have shares or large deposits.

# Pakistan to get \$8m OPEC Fund loan

ISLAMABAD, Aug 2: The Organisation of Petroleum Exporting Countries (OPEC) Fund for Economic Development signed an agreement with Pakistan Thursday to lend the country eight million dollars, an official announcement said, reports AP.

The loan will be used to upgrade railway tracks, the announcement said.

The agreement was signed by Chairman of the Fund's governing board, Osama Faquih, who is also Deputy Finance Minister of Saudi Arabia, and Secretary of the Pakistan Economic Affairs Ministry, A R Akhund.