

Muslims urged to build own financial institutions

ISLAMABAD, Aug 4: Pakistani President Ohulam Ishaq Khan urged the Islamic World to build its own financial institutions with a view to achieving financial security and self-reliance in economic development, reports AFP.

According to the official Associated Press of Pakistan (APP), the President was talking to the visiting Chairman of the Organisation of Petroleum Exporting Countries (OPEC) Fund governing board, Osama Faquih, who is also Deputy Finance Minister of Saudi Arabia.

Khan said he appreciated the role being played by the OPEC Fund and sister organisations like the Islamic Bank and said that more institutions of a similar nature should be established across the Islamic World to arrange capital formation from within to finance development projects.

"This was a prerequisite for meaningful self-reliance and would also lead to closer unity and durable collaboration among the Muslim countries," he said.

Pakistan to sell Allied Bank

ISLAMABAD, Aug 4: Pakistan has decided to sell the state-owned Allied Bank to its employees, marking a shift in Prime Minister Nawaz Sharif's privatisation policy, it was announced Saturday, reports AFP.

Earlier the government sold the Muslim Commercial Bank (MCB) in April to a group of top businessmen amid wave of protests by the employees of the four banks on the privatisation list.

The government will sell 26 per cent shares of the Allied Bank, worth 490 million Rupees (about 20 million Dollars), to its employees, Finance Minister Sartaj Aziz told a press conference.

"The decision to transfer the Allied Bank to the employees is in line with the government's commitment to the well-being of the people," he said.

Aziz said the Allied Bank deal would bar the employees from reselling any of the acquired shares for a period of five years.

He said 35 per cent of the Allied Bank shares would be sold through the stock exchange and 14 per cent would be offered to the public. The government will retain the rest.

The two other banks earmarked for privatisation are Habib Bank and United Bank.

The government has identified 115 state-owned units which it wants to privatise, but the Finance Minister said last month that the response from the private sector had been lukewarm.

The critics of the privatisation programme have accused the government of making hasty decisions and transferring ownership of the state-owned units to favourites.

China to get \$5.1b Japanese loan

TOKYO, Aug 4: Japan will loan China 700 billion Yen (5.1 billion Dollars) to help promote development of oil, coal and natural gas resources, a newspaper reported here Saturday, says AFP.

Japan's third resources loan to China will be pledged when Japanese Prime Minister Toshiki Kaifu visits Beijing this month, the Yomiuri Shimbun quoted official sources as saying.

Kaifu is to leave here next Saturday for a five-day tour of China and Mongolia.

Japan lent China 420 billion Yen (3.1 billion Dollars) for resources development in 1970 and another 580 billion Yen (4.2 billion Dollars) in 1984.

Following a Group of Seven (G-7) summit in Houston last year Japan unfroze a general Yen credit of 810 billion Yen (5.9 billion Dollars) to China.

Dollar loses ground

NEW YORK, Aug 3: The Dollar continued to lose ground Friday after the publication of July jobless figures analysts saw as misleading, reports AFP.

The government announced a 0.2 per cent dip in the unemployment rate to 6.8 per cent, and that 51,000 jobs were eliminated.

The greenback was traded late Friday at 1.7420 Deutsche Marks down from 1.7575 and at 137.15 Yen down from 137.60. Just after the unemployment rate announcement, the Dollar quickly fell from 1.7650 Marks to 1.7400.

The US currency also slipped against other major European currencies.



RAWALPINDI: Aga Hasan Abedi, (C) the founder of the Bank of Credit and Commerce International (BCCI), shakes hands with former Pakistani military ruler Gen. Zia-ul-Haq while former US President Jimmy Carter (L) looks on, during Carter's visit to Rawalpindi in early November 1986. Abedi and Carter were Co-Chairman 'Global 2,000 programme' at the time. Abedi has been indicted in New York for illegal banking practices and money laundering. — AFP/UNB photo

Bad loans hit Bank of China

BEIJING, Aug 4: The Bank of China, the central foreign exchange bank, has become increasingly burdened by bad debt and will halt lending to failing exporters, an official was quoted as saying, reports AFP.

Local currency credits listed as "misused" totalled 20 billion Yuan (9.35 billion Dollars) at the end of May, a 13 per cent increase from the end of last year, bank Vice President Yang Huiqiu told the official China Daily.

The problem credits — a portion of which were used by ailing firms to cover losses — compared with total outstanding loans of 196.6 billion Yuan (36.75 billion Dollars) at the end of June.

Of 24.6 billion Dollars in hard currency loans, 4.4 per cent were classified as overdue, the official said, adding that the bank was "plagued by new financial losses incurred by export-led firms and overdue debts."

He blamed the problem on the removal of state subsidies on exports in January, which forced traders to sell off burgeoning inventories at a loss.

The Bank of China would further tighten its credit policy in the second half, stopping lending to money-losing companies in favour of state-controlled exports and imports under official plans, Yang said.

US defends sales of subsidised wheat

CANBERRA, Aug 3: Washington has defended its sales of subsidised wheat in the face of criticism by Australia this week, reports Xinhua.

The United States Information Service, in a statement released here yesterday said that the United States is not prepared to allow less efficient European Community farmers to use export subsidies to drive it out of the world wheat market.

There have been trade war between the United States and the European Community for a long time which has seen sales involving record price subsidies in a range of markets, including Algeria, Kuwait, China and the Soviet Union.

The Australian government has estimated that the trade war is costing Australia 616 million US Dollars a year because of lower prices for wheat, one of the country's main exports.

In recent months the Australian government had made known both to the European Community and the United States its opposition to subsidize sales of grain, not least wheat, especially in markets in which Australia competed.

The United States Information Service said that 15 years ago the European Community did not export wheat, but since then subsidies had pushed the European Community share of the world wheat markets to 23 per cent. The United States had lost 40 per cent of its market share.

Of late, Australia and the United States have agreed on the establishment of a consultative process to discuss agricultural trade issues.

The Minister for Primary Industries Simon Crean, said yesterday that Australia should concentrate on taking a positive approach at the talks in Washington on August 12.

Japan awaits trade war with partners

TOKYO, Aug 3: Japan seemed headed for greater friction with its major trading partners on Friday after trade statistics showed its huge balance of payments surplus surged to even greater heights in June, reports Reuter.

"This is a recipe for trade tension," said Russell Jones, Economist at UBS Phillips and Drew International Ltd. "People are going to start to get angry."

Stagnant imports helped Japan's current account surplus — the broadest measure of trade in goods and services — widen to 6.63 billion Dollars in June from a downward revised 4.53 billion in June 1990, the Finance Ministry said on Friday.

During the first six months of this year, the unadjusted

current account surplus widened by 43.2 per cent to 28.93 billion Dollars from the same period.

An official at the finance ministry played down the first half numbers, saying that a long-term trend toward a narrower surplus was still intact.

But private economists roundly disagreed. "Official protestations that the surplus will do anything but expand are getting laughable," said Jones.

Economists said they expected the current account to climb even further. A slight improvement in the US economy was expected to help boost exports by October or September, fuelling a further widening.

Sugar prices steady, vegetable oil mixed

LONDON, Aug 4: Sugar prices remain steady in local markets as its futures were supported by Jordan's bulk purchase. Vegetable oil prices were mixed on the European market despite a lower forecast for world oilseed production, reports AFP.

SUGAR: Steady. Sugar futures were supported by Jordan's purchase of three cargoes (10,000 to 12,000 tonnes each) of white sugar, by talk that Australia's 1991-92 crop may be down by as much as 15 per cent on last year and by renewed rumours of Soviet buying.

Rumours have circulated since mid-July that the Soviet

Union was seeking several hundred thousand tonnes of white sugar.

However, traders said that Pakistan was expecting a bumper sugar crop after good monsoon rains and probably not have to import any sugar in the 1991-92 financial year.

VEGETABLE OILS: Irregular. Vegetable oil prices were mixed on the European market despite a lower forecast for world oilseed production which is now seen at 218 million tonnes by newsletter oil world, 1.6 million tonnes less than forecast previously, against 215 million tonnes last year. Oil world however expects

British actress's salary suit settled

LOS ANGELES, Aug 4: Orion pictures and a production company agreed yesterday to pay Emily Lloyd more than 500,000 Dollars after the British actress said she was promised a starring role in the film "Mermaids" but was later deprived of the part, reports Reuter.

A day after the trial began in Los Angeles superior court, lawyers for both sides emerged smiling from a courthouse conference saying a deal had been struck.

"It's settled, but I can't give you details," Lloyd's lawyer, Barry Landberg, told reporters. "You know the story."

Lloyd, the 20-year-old star of the British film "with you were here," had asked for a salary of 4,35,000 Dollars she said she was guaranteed for the role of a daughter struggling to grow up with a free-spirited mother, played by Cher.

Taking the unusual step for a young actress or actor of challenging the Hollywood system, she also asked for interest, bringing the sum to more than 500,000 Dollars, plus unspecified punitive damages.

The role finally went to Winona Ryder. British actor Bob Hosking played Cher's boyfriend.

Lloyd, who lives in England, maintained she had a binding deal with Orion pictures, which financed and distributed "Mermaids," and Mermaids, a company created to produce the film.

A lawyer for Orion and Mermaids said during opening-day court statements that an agreement with Lloyd never became a binding contract. "We see no contract in this case," the lawyer Albert Smith, said.

Strong demand for petrol helps oil prices to go up

LONDON, Aug 4: Strong US demand for petrol helped oil prices to move higher for a third consecutive day on Friday, traders said, reports Reuter.

Statistics from the American Petroleum Institute first sparked the rally late on Wednesday by showing a sharp decrease in US petrol stocks.

Summer petrol demand traditionally supports oil prices as good weather in the United States encourages motorists into the anton's roads. But this year the expected boost for prices was slow in coming, traders said.

In New York, September light crude oil futures rose 12 cents to 21.39 dollars a barrel at 1700 GMT.

Oil futures in London follow the US lead. International benchmark Brent crude oil futures for September were also 12 cents firmer at 19.52 dollars a barrel in late trading.

Latest oil futures prices (dollars per barrel) at 1700 GMT.

BCCI victims call for new banking order

LONDON, Aug 4: Accountants and lawyers for some depositors of the closed Bank of Credit and Commerce International (BCCI) on Saturday demanded a detailed aid package and called for a new bank to be set up in its place, reports Reuter.

They proposed "a new world banking order" spearheaded by the United States and Britain to prevent any more such scandals.

Accountants Halpern and Woolf and law firm Zetwalia and Company, which have formed a help group to represent creditors, held a news conference to launch a "manifesto" for victims of the collapse.

The manifesto said the group would make proposals for a second bank which will make available the acceptable

level of professional expertise to be found in BCCI and will understand fully the needs of its customers."

AP from London adds: The founder and chief executive of the BCCI acted as investment advisers to Abu Dhabi's ruler and had his power of attorney, according to the auditor's report that led to the closing of BCCI in Britain.

The June 1991 report from accountants Price Waterhouse, quoted at length in British newspapers on Saturday, said members of the Abu Dhabi government knowingly concealed the part played by some of its top government officials in the massive banking fraud.

It said files held by Swaleh Naqvi, BCCI's former chief executive, show "widespread fraud and manipulation of accounting records conducted in

collusion with Abu Dhabi government representatives."

The report said the relationship between BCCI's top executives and Abu Dhabi's ruling family "goes back a number of years and has been a very close one." Abedi and subsequently Naqvi "acted as the ruler's personal investment adviser and had his power of attorney," it said.

The Bank of England said the Price Waterhouse report provided the first evidence of massive, widespread fraud in the bank and led it to close its operations in Britain on July 5. Seven other countries also shut down BCCI operations.

The auditors reported the Abu Dhabi officials "were briefed fully on all the problems in April 1990" by Naqvi and others. At that time, Abu Dhabi was preparing to take

Benazir's family loses \$10m?

KARACHI, Aug 4: Pakistanis took pride in the Bank of Credit and Commerce International, founded by a countryman. When BCCI collapsed, branded as the world's most corrupt financial institution, they took it personally, reports AP.

Only 60,000 Pakistanis actually deposited their savings in BCCI, the brainchild of financier Agha Hasan Abedi, but they were proud of its prestige and rapid growth. BCCI's success became their success.

Last month, the empire crumbled in a blizzard of charges: massive fraud and theft, brokering clandestine arms deals, laundering drug money and supporting a Mafia-style network of torture and terror. Reaction from Pakistanis was swift and bitter.

It was not the first bank accused of criminal activity, they

said. This was just another attempt to keep the Third World and Muslim countries dependent and subservient to the powerful, industrialized West.

"There is no doubt that racism played an important role in the seizure of BCCI," said Khurshid Hadi, a Karachi accountant and customer of the bank. He said it "grew too fast, to the suspicion of other Western financial agencies."

Response has been muted from the conservative Islamic government and its normally outspoken opponents, led by former Prime Minister Benazir Bhutto.

Newspapers have claimed Ma Bhutto's family lost 10 million Dollars deposited with BCCI in London. She denies it. "I was warned in 1989 not to have any dealings with BCCI," Ms. Bhutto said. She would not elaborate.

The Finance and Defense Ministries are conducting separate investigations of BCCI operations in Pakistan, focusing on allegations that the bank laundered drug money and acted as a conduit for covert CIA aid to Afghan insurgents. Government officials refuse comment on the investigation.

Sentiment against the West, particularly the United States, always runs just below the surface in this Islamic nation of 120 million. It bubbled up when the United States cut off economic and military aid in October, and again during the Gulf War.

Even among the educated elite, normally sympathetic to the West, there are suspicions that BCCI was punished for intruding on territory dominated by the giant American and British multinationals.

Israeli-Egyptian trade still reflects political stagnation

CAIRO, Aug 4: In the 12 years since Israel and Egypt forged history by signing a peace treaty which outlawed economic sanctions, trade between the two countries has reflected their wider political ties - stable but stagnant, reports Reuter.

On the political front, Israeli Foreign Minister David Levy has just made the first visit to Cairo in two years by a senior Israeli Cabinet Minister.

Commercial contacts are hardly more frequent. Excluding sales Egyptian oil to Israel, guaranteed by former Egyptian President Anwar Sadat, the volume of trade between the two countries amounted to only 11 million Dollars last year, Israeli embassy officials in Cairo said.

"The amounts are very small. The trade is very little and is mostly with the private sector," one embassy official said.

Israel imported six million dollars' worth of goods from Egypt, including spices, building materials and tinned food.

Egypt imported five million Dollars' worth of seeds, hens for battery egg farms, irrigation equipment, special paper for printing, specialised kerosene products and food.

The United States is pressing other Arab states to lift their embargo against Israel, possibly in exchange for a freeze on new Jewish settlements in the occupied territories.

If the example of Egypt is anything to go by, trade across Israel's borders would probably not make much difference to either side in the Arab-Israeli conflict.

Although the US-sponsored Camp David accords which led to the peace treaty in 1979 entitled Israel to buy up to two million tonnes of oil per year from Egypt, the Jewish state

currently uses only a quarter of its option.

Embassy officials said Israel imports half a million tonnes of crude oil a year from Egypt (3.5 million barrels) - less than 10 per cent of its current needs - worth about 70 million Dollars at current market prices.

Oil is a major source of foreign currency revenue for Egypt, which exports about 20 million tonnes a year.

Israeli tourism to Egypt is also stagnant or declining because of the political situation, the embassy official said.

In 1988, a record 150,000 Israeli tourists visited Egypt. But the following year it slumped after masked men ambushed an Israeli tourist bus on a desert road and sprayed it with machinegun fire, killing several people.

Platinum, gold prices fall

LONDON, Aug 4: Platinum prices fell to their lowest level since February 1986 over the past week, on reports that Soviet shipments to Switzerland had sharply increased during the first half of the year, reports AFP.

Gold and silver were dragged down by platinum, with the yellow metal showing no reaction to news of a strike at El Indio, Chile's largest gold mine with annual production of 220,000 ounces. The mine also produces 27,000 tonnes of copper per year.

But aluminium remained weak as stocks rose above the psychological level of half a million tonnes.

GOLD: Weaker. Gold prices were dragged down by platinum's fall to five and half a year lows.

The yellow metal managed to remain above the 360-Dollars-pre-ounce psychological

level for most of the week, but was threatening to break below that level Friday morning.

PLATINUM: Weak. Prices fell Tuesday to their lowest level since February 1986, on reports that the Soviet Union had shipped 22 tonnes to Switzerland in the first half of the year compared with less than two tonnes for the same period last year.

After an attempt at a rally, it fell again on Friday on reports that a new catalytic converter had been developed in South Africa, made of manganese and not of platinum-group metals.

The discovery has not been demonstrated as commercially viable yet and is still at a laboratory stage, an analyst said.

SILVER: Quiet. Silver remained weak due to doubts about the extent of an economic recovery in the United States, and was also affected by

platinum's fall.

ZINC: Quiet. Like lead, zinc traded in a narrow range. LME stocks went up by 1,350 tonnes to 121,400 tonnes.

TIN: Quiet. Tin prices barely moved as traditional August closures throughout the western European industry sharply curtailed activity.

LME stocks rose by 390 tonnes to 14,815 tonnes. ALUMINIUM: Dull. Aluminium prices lost ground early in the week as LME stocks rose above the psychological level of half a million tonnes.

Another sharp rise was announced on Friday, bringing stocks to a fresh record of 522,925 tonnes (up 25,775 tonnes over the week).

NICKEL: Quiet. Nickel fluctuated in a narrow range, rallying during the second part of the week after losing some ground earlier.

over 4 billion Dollars of the bank's bad debts and recapitalize it.

But the Abu Dhabi representatives did not pass on the information to Price Waterhouse or the Bank of England, and approved BCCI's 1989 accounts, which have now proved to be fictitious, it said.

The Financial Times quoted unidentified representatives of the Abu Dhabi government in Britain as denying that the auditor's report pointed to involvement of the Emirate or any of its officials.

The newspaper said documents it obtained show the Abu Dhabi government warned BCCI directors at a meeting last Christmas Eve at the Hotel George V in Paris that it might terminate agreements to save the bank if evidence of criminal activity was found at the bank which might harm Abu Dhabi's international reputation.

AFP from Luxembourg says: The Luxembourg Monetary Institute has filed a complaint against the BCCI with the Public Prosecutor's Office, the Institute's Director Pierre Jaans said Friday.

Jaans said the bank was being charged with "criminal activities."

Reuter from London says: Britain's opposition Labour Party said on Saturday a government investigation into the closed BCCI would be a whitewash and should be opened to public scrutiny.

"Whitewash seems to be the name of the game," Lord Clinton-Davis, Labour Spokesman on Trade and Industry, said. He called for a US style investigation.

The United States, a far more open society, has shown the way by senate hearings into how dealings over the BCCI should be conducted. We should not be afraid to open up the whole affair."

Lord Justice Sir Thomas Bingham has been assigned to investigate the supervision of BCCI by the Bank of England, and allegations of enormous and widespread fraud.

Japanese trade team due in city Aug 30

Star Economic Report: A high-powered Japanese business mission will arrive in Dhaka on August 30 to review bilateral trade situation between the two countries.

The mission headed by Ikeda, Chairman of Japan-Bangladesh Joint Committee for Commercial and Economic Cooperation would also suggest measures to increase export of Bangladeshi commodities to Japan to step up Japanese investment.

The following items will get special emphasis as exportable commodities from Bangladesh: Textile and garments, jute and jute goods, leather goods, food items like shrimp, fruits, vegetables and black tea.

Interested quarter wishing to establish business connection may seek further information from the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI), says a FBCCI press release.

Call to distribute khas land among peasants

Star Economic Report

Twelve central leaders of different student organisations have requested the veteran peasants' leader Abdus Sattar Khan to withdraw his fast-unto-death programme.

The student leaders included Nazmul Huq Pradhan and Shaif Ahmed, President and General Secretary respectively of Bangladesh Chhatra League and Nasir-ud-Duza, President, Bangladesh Chhatra Union.

The Student leaders urged the government to apply properly rules of distributing khas lands and pay attention to the demands of the peasants of the northern district.

President of Bangladesh Krishok Federation, Khan has been continuing his fast since July 31 in protest against irregularities in distributing khas lands.

Industrial policy welcomed

Lee O Coldren, Deputy Chief of the mission of the American Embassy to Bangladesh Sunday welcomed the new industrial policy of the government saying this liberal policy would attract more foreign investors, reports BSS.

This expression came when he called on the Industries Minister Shamsul Islam Khan at the latter's office in Dhaka.

The Industries Minister said that the new liberal industrial policy had been introduced to encourage local and foreign investment and to develop export-oriented industries for the welfare of the commonman.

GRAINS: Quiet. Wheat and barley futures traded in a narrow range.

Traders said that harvesting has started in some regions of Britain and may be expected to gain momentum if the present favourable weather continues, but that too little has been cut so far to provide a reliable indication of the size and quality of this year's crop.

In the United States dry weather in the Midwest continued to give cause for concern. The increase was due to deteriorating crop prospects in the Soviet Union, with the 1991 crop now seen at 195 million tonnes against 208

million forecast in June, and with 232 million tonnes last year.

OIL: Irregular. Brent crude oil prices lost ground early in the week, in light technical trading.

They rallied after the American Petroleum Institute (API) reported a 1.6 million barrel fall in US stocks of crude oil last week and a three million barrel drop in gasoline stocks, but fell back ahead of the weekend.

Possible US military action against Iraq if it refuses to reveal the sites of all its nuclear facilities remained in the background without directly influencing the trend.

RUBBER: Quiet. Natural rubber prices moved in a narrow range on the London physical market, as activity remained slack due to summer holidays throughout the Western European industry.

COTTON: Quiet. The indicator price was slightly easier on the Liverpool Market, due to the holiday season.

The International Cotton Advisory Committee forecast world cotton output at a record 93.7 million bales (480 pounds each) in 1992 compared with 91.5 million expected this year.