

No more new banks in UAE

ABU DHABI, Aug 19: The United Arab Emirates (UAE) will not allow the creation of new commercial banks as existing banks are more than enough for the local market, Central Bank governor Abdel Malik Al-Hamar has said, reports AFP.

But he told the Sharjah Chamber of Commerce and Industry's magazine that the oil-rich Gulf state would go ahead with plans to permit off-shore banks.

The market in the UAE does not allow the absorption of new commercial banks, Hamar said in the magazine's August issue.

So the present policy of the Central Bank is not to give licences to new foreign banks in order to streamline the banking business and enable national banks to expand and develop.

The UAE, with a population of 1.8 million, has about 55 banks with assets of 116 billion Dirhams (31.6 billion Dollars). But only 19 of them are national banks.

It is one of the few Gulf countries to give access to foreign banks to its market. Neighbouring Kuwait, Saudi Arabia and Qatar do not allow the operation of foreign banks.

Despite government support, many UAE banks suffered from losses six years ago due to foreign competition and accumulating bad debts.

The debts were caused by a rush in providing loans during the oil boom of late 1970s and early 1980s, which was followed by a sudden recession caused by a fall in oil prices, the completion of the infrastructure and the Iran-Iraq war.

The crisis prompted several banks to merge before it eased in 1988 and banks began to rebound into profits.

British economy bumping along on the bottom

LONDON, Aug 19: The British economy is "bumping along on the bottom" without any clear evidence of an end to present recession, according to the latest quarterly report of the Bank of England published yesterday, reports AFP.

However, in the coming months "the future level of output is more likely to turn up than turn down," the report said, citing a number of indicators.

The Bank of England's prognosis was much more cautious than that of the government, which has repeatedly announced that an economic recovery will be under way before the end of the year.

The government is obliged to call general elections by early July next year at the latest.

Foreigners reluctant to invest in E. Germany

BERLIN, Aug 19: Foreign investors are not playing a significant part in eastern Germany's privatisation programme, despite efforts to lure them by the government agency which is selling companies that were run by the Communist state.

Figures released by the Treuhand Agency on Thursday show that foreign buyers have taken over only 115 of 2,986 firms sold by the end of July — less than four per cent.

The agency, in charge of the world's biggest privatisation programme, launched a campaign in May to counter charges that it had a pro-German bias. The east's lucrative banking, retail and insurance sectors are west German owned.

Treuhand President Birgit Breuel met investors in Tokyo in July and plans to visit the United States in September.

The organisation has hired more than 80 foreign banks and management consultancies to sell companies internationally.

Economics Minister Juergen Moellmann, who plans to travel to the United States to promote eastern Germany, said foreign investors were more than welcome in the region.

Israeli inflation rate soars

JERUSALEM, Aug 19: Israel's monthly inflation rate rose by one per cent in July from the previous month — the highest increase since January 1989 — bringing the annual rate to more than 20 per cent, the Central Bureau of Statistics said yesterday.

The inflation rate stood at three per cent in July compared to two per cent in June of 1990.

Cost of living also increased over the first seven months of 1991 reaching 12.8 per cent against 11.9 for the same period in 1990, the Central Bureau of Statistics said.

The annual inflation rate was now over 20 per cent.

Gorbachev's removal rocks world markets

TOKYO, Aug 19: Share prices on the Tokyo Stock Exchange plummeted more than 4 per cent in just minutes early Monday afternoon on news that Mikhail Gorbachev was relieved of his post as Soviet President, but then recovered modestly, reports AP.

In European trading, the dollar jumped to 1.8175 German Marks from 1.7805 Marks late Friday.

The Mark also fell against other currencies as Germany's proximity to the Soviet Union undermined confidence in the German currency.

Gold opened in London at 362.10 Dollars bid per ounce up from 358.25 Dollars bid per ounce late Friday.

The London Stock Exchange opened down sharply, with a loss of three and a half per cent of its value.

The Tokyo Stock Exchange closed down by more than 1,000 points, losing 5.95 per cent of its value. The US Dollar closed up 1.50 Yen higher from Friday's close against the

Japanese Yen in Tokyo. The reports pushed the US Dollar sharply higher against the Japanese Yen.

Share prices elsewhere in Asia also plummeted on the Gorbachev news, falling about 4 per cent in South Korea and 4.3 per cent in Singapore.

"This is very bad news for global markets," said Clive Weedon, Research Director at Chin Tung Research International Ltd, the brokerage arm of Standard Chartered Bank in Hong Kong.

By 2:00 pm (0500 GMT), the 225-point Nikkei Stock Average in Tokyo was at 22,073.34 points, down 741.03 from its Friday close. It had been down 1,181.08 points at the beginning of the afternoon session, with most of the decline coming minutes after the announcement from Moscow.

The Dollar had receded to 138.55 Yen after it surged following the Soviet reports to 139.26 Yen, up 2.30 Yen from Friday's close against the

Bank of Japan officials said they were watching the currency market carefully to see if the Dollar's sudden surge was temporary. Traders said they expected the Central Bank to intervene if the Dollar rose above 140 Yen.

Investors tend to view the Dollar as a safe haven in times of crisis.

Last week, Salomon Brothers admitted to improperly buying more than its fair share of government securities at several auctions, sometimes using the names of customers without authorization. Three top executives resigned Sunday in connection with the scandal.

Benchmark No. 129 10-year Japanese government bonds also slumped. At 1:00 pm (0400 GMT) their price fell to 99.12, down from 100.08 points at 11:05 am (0205 GMT). On Friday they finished at 100.16 points. Their yield stood at 6.560 per cent Monday afternoon, up from 6.365 per cent Friday.

News of the death of Soviet leader Josef Stalin in 1953 triggered a record plunge in Japanese stock prices with the Nikkei Stock average losing 10 per cent of its value in a single session.

AFP from Sydney adds: Australian financial markets slumped today on news that Soviet leader Mikhail Gorbachev had been replaced, traders said.

The stock market indicator, the All Ordinaries Index, lost more than 35 points at one stage.

"It fell like stone," one broker said.

At about 1430 local time (0430 GMT) the all orders was trading at 1538.3 points compared to Friday's close of 1566.9.

The Australian Dollar dived about 20 points from Friday's close to about 77.55 US cents.

AFP from Bangkok says: The Thai Stock Market Index plunged more than 40 points on the news today of Mikhail Gorbachev's replacement as Soviet President. With over 30 minutes trading left it had dropped 43.65 points.

One broker described the scene as chaotic as people rushed to sell. Out of the 245 listed companies 215 of them were down.

Bureaucracy to sabotage slow change Rapid economic reforms to create social turmoil

Rapid economic policy reforms will result in social and political turmoil while slow change may be sabotaged by existing bureaucracies and interest groups.

The US economic historian Douglass C. North points to this basic dilemma of development as countries undergo the process of policy reform for market-oriented economies, says an economic news release by the United States Information Service (USIS).

North in an essay entitled "Institutions and Economic Development" notes that the informal constraints like the routine, customs, behavior, conventions and norms of behavior, and the underlying ideological perceptions cannot be change overnight.

These will lead to social and political turmoil for countries but reforms will again be "distorted, dissipated and dis-

rupted" if the process is slow, he says while arguing in favour of radical restructuring of bureaucracies simultaneously with radical alterations.

He emphasises the role of informal constraints that underlie formal structure and institutions of economic and political systems. The informal constraints must be at least partially complementary to the formal changes being advocated in a reform process for the process itself to succeed, he argues while noting that such constraints can be changed only slowly.

North's essay was used as a background paper in preparation of the World Bank's World Development Report 1991, the USIS release says.

Standard Western economic analysis is not much help in the areas of economic and political reforms like privatisation and legal modernisation, North warns.

He says, few western economists understand the institutional requirements essential to the creation of efficient markets in many countries because they take them for granted. Such an understanding, he believes, is vital if market-oriented reform for greater economic efficiency are to be effective over time and not run counter to "ingrained customs, beliefs or ideologies".

To elaborate his points, the US economic historian contrasts the US experience with that of Spain. Because of the adaptability of its institutions, the USA, according to North, had a hospitable environment for economic growth in the 19th century.

Such cultural factors as a willingness to work hard contributed to an environment that rewarded productive activity and the development of skills and knowledge.

Investments in universal education, in agricultural colleges and experiment institutions, for example, all resulted in a sustained increase in US productivity.

Spain, on the other hand, declined in the 17th century from the most powerful nation in the Western World to a second rate power due, North says, to recurrent war, rigid centralised political and economic controls.

He observes that the overall process in the USA produced some losers such as farmers who went broke on the frontier and labourers who suffered unemployment and declining wages from immigrant competition but the political framework gave the losers, even if imperfectly, access to remedies for their perceived differences.

But, Spain's "inability" to come up with any better solutions to stagnation than price controls, tax increases and repeated confiscations were all destructive of the institutions that make for market stability, according to North.

He identifies effective enforcement of agreements as the single most important determinant of economic performance. "The ability to enforce agreements across time and space is the central underpinning of efficient markets," he says. To accomplish this, society needs an effective, impartial system of laws and courts, social sanctions to enforce norms of behaviour, and strong personal standards of honesty and integrity to undergird self-imposed standards of behaviour.

While enforceable contracts or agreements are the essential institutional condition for a successful economy, the major breakthrough permitting modern economic advancement, he contends, has been the development of scientific disciplines and their application to improving productivity. Economies that could take advantage of this technology have enjoyed high rates of economic growth, he stresses.

The inability in adapting to the new realities for improved economic efficiency has prevented many countries from realising full productive potentials and produced underdevelopment and political instability, North contends.

In his view, the path to improved adaptive efficiency for any country will be complicated and lengthy and it also will be different in different cultures: in African economies just emerging from a tribal background, in Latin American economies with a long heritage of monopolised and protected markets, in socialist economies of Eastern Europe with 40 years of imposed central planning or in the Soviet Union with 70 years of socialist rule.

Queue for bank shares in Sydney

SYDNEY, Aug 19: The Australian government's first attempt at privatisation, its partial sale of the Commonwealth Bank, has proved a big winner with the public, attracting far more would be shareholders than were needed, reports AFP.

The 1.3 billion Australian Dollar (one billion US) public float — the biggest ever on the Australian stock exchange — was over-subscribed by almost 50 per cent when it closed this week, the bank said yesterday.

The issue had attracted 1.9 billion Dollars (1.5 billion US) which means the successful applicants could be in a position to make a quick profit.

A rush of unsuccessful applicants on the secondary market is likely to send the share price upwards, observers say.

Almost 2,00,000 applications were received for the 239.3 million ordinary shares.



A 'chanachur' vendor attracts a horde of young customers who surround him to get the taste of his product that comes cheap and regarded as an 'anytime snack.' — Star photo

Benazir seeks probe into Ishaq's link with BCCI Foundation

KARACHI, Aug 19: Former Prime Minister Benazir Bhutto on Sunday demanded a parliamentary inquiry into Pakistan President Ghulam Ishaq Khan's involvement in the scandal-tainted Bank of Credit and Commerce International.

Ms Bhutto's attack on the government that ousted her followed a clash Saturday night that she blamed on the militant Mohajir Qaumi Movement (MQM). Prime Minister Nawaz Sharif's chief spokesman hinted that Ms Bhutto had staged the incident as a publicity stunt.

In an interview with The Associated Press Sunday, Ms Bhutto charged a BCCI-linked foundation headed by Ishaq Khan was shrouded in secrecy and she wanted to know why.

"It's essential the Ghulam Ishaq Khan's involvement in BCCI should be made public," she said.

Ishaq Khan, 75, is chairman of the BCCI Foundation, a non-profit research organisation that has never been accused of any wrongdoing.

Sheikh Rashid Ahmed, the Prime Minister's chief spokesman, said "Pakistan's President is beyond any parliamentary inquiry. Benazir should learn more about parliamentary procedures before she makes statements."

On July 5 the Bank of England shut down the BCCI, charging widespread fraud that sparked a lightning-fast chain reaction that eventually ended with the closure of BCCI operations in seven other countries.

The BCCI's ailing founder Aga Hasan Abedi lives in Karachi.

Ms Bhutto and the President have been arch enemies since August 1990, when Ishaq Khan dismissed

her 20-month-old government charging it was hopelessly corrupt and inept.

Three months later her Islamic conservative rivals led by Prime Minister Nawaz Sharif swept to power and her left-of-center party was relegated to a weak opposition in both the National Assembly and in the four provincial assemblies.

In Saturday's incident, gunmen fired over the heads of hundreds of Bhutto loyalists who had gathered outside the house of a deceased party worker in the center of Karachi, a port city wracked by ethnic and political violence.

Bricks were thrown at Ms Bhutto, who had gone to offer condolences to the family. Supporters shielded her with their bodies and she was not hurt.

Tax cut plan to hurt Bush

WASHINGTON, Aug 19: Democrats are hoping their plan to cut taxes for poor and moderate income Americans will do for them what the Gulf War did for President George Bush, reports Reuter.

The average taxpayer has to complaints about income taxes — they are too high and too complicated," House Budget Committee Chairman Leon Panetta, a California Democrat, said in proposing his family tax relief legislation on August 2.

Tennessee Senator Al Gore and New York Representative Tom Downey, both Democrats, introduced a similar bill in May.

With Bush still high in the

polls from the Gulf War triumph, the Democratic tax fairness plan is part of a strategy to portray him as more interested in foreign policy than in helping average Americans who have lost their jobs or have trouble paying their bills.

If Congress passes a tax relief bill, and Bush signs it, Democrats can take credit for it. If he vetoes the bill, as expected, he gives them more ammunition for the 1992 Presidential campaign.

"The President can see suffering overseas but not when it is happening before his eyes," House Democratic Leader Richard Gephardt of Missouri said this month.

3 charged with BCCI money laundering

VANCOUVER (British Columbia), Aug 19: A Vancouver Attorney appeared in provincial court yesterday to face charges of laundering millions of Dollars of drug money through the scandal-ridden Bank of Credit and Commerce International (BCCI), reports Reuter.

Criminal lawyer Patrick Anthony Good was released on 50,000 Dollar bail after being accused of 32 counts involving the possession of the proceeds of crime. He will appear in court again on September 6.

Two other Vancouver men charged along with Good are still being sought by police investigating an international drug-smuggling ring, the Royal Canadian Mounted Police said.

Miners strike hits stability of Bulgaria

SOFIA (Bulgaria), Aug 19: The Cabinet met in an urgent session late Sunday and charged that a miners strike threatens the stability of this poor, formerly Communist country, reports AP.

Leaders of the 21,000 striking miners warned their walk-out could turn into a nationwide job action by the Balkan country's 75,000 miners.

Miners went on strike Wednesday to demand higher pay and better working conditions. They are demanding a minimum monthly salary of 1,960 Leva (130 Dollars) compared to the current minimum of 260 Leva (40 Dollars). Miners claim actual pay is even less.

GATT chief urges for political courage

GENEVA, Aug 19: Political courage must match political rhetoric if ambitious efforts to reform the international trading order are to succeed, according to the head of the General Agreement on Tariffs and Trade (GATT), reports AP.

In a report released Monday, GATT Director-General Arthur Dunkel said there was a "window of opportunity" to complete the Uruguay Round of trade talks this year provided negotiators showed a "spirit of compromise."

In his introduction to the report on GATT's activities in 1990, Dunkel said despite continuing stalemate at international level, individual coun-

tries had taken "far-sighted trade policy decisions," to liberalize their economic policies.

He said many developing and East European nations had suffered "The initial economic pain," and lowered trade barriers in the expectation they would benefit from greater export access with the conclusion of the Uruguay Round.

The 108-nation round named after the country in which it was launched in 1986, should have ended last December with accords to lower barriers to exports and extend fair trade rules to previously uncovered areas like services such as banking.

Most Asian currencies lose ground against US Dollar

HONG KONG, Aug 19: Most Asian currencies lost ground against the dollar during the week, a reversal of the previous week's performance, which saw most of them gain against the US currency, reports AFP.

The only regional currencies to move up against the Greenback were the New Zealand dollar and Taiwan Dollar, as well as the Philippine peso, which showed considerable strength.

The Japanese yen, Indonesian Rupiah, Malaysian Ringgit, South Korean Won, Hong Kong Dollar and Thai bath all lost ground, as did the Australian and Singapore Dollars.

JAPANESE YEN: The

Japanese yen eased moderately to close the week at 136.90 yen to the dollar, down 0.60 yen from the preceding week's finish of 136.30.

After opening at 136.30 yen on Monday, the US currency moved in arrange between 136.20 and 137.22 during the week.

But trading was slow, with many investors away from the market for a holiday. Thursday's spot turnover of 1.942 billion Dollars was the lowest this year.

The market was also carefully watching interest rates here and in the United States in the wake of Germany's decision to raise its official discount rate by a single percentage point, to 7.5 per cent,

dealers said.

AUSTRALIAN DOLLAR: The Australia Dollar closed at 77.75 US Cents, down 0.45 Cents from a week earlier, thanks to Reserve (Central) Bank selling and wide expectations of interest rate cuts, dealers said.

It also fell on the trade-weighted index, from 60.2 to 60.1 dealers said the market will be watching Tuesday's national budget.

HONG KONG DOLLAR: The Hong Kong Dollar closed weaker against its US counterpart Friday at 7.7665-7.7675, down from 7.7625-7.7645 a week earlier. The currency has been official pegged at around 7.80 to the Greenback since 1983.

INDONESIAN RUPIAH: The Indonesia Rupiah fell again to close at a new record low of 1,962 to the Dollar on Friday, compared to 1,595 the previous week.

MALAYSIAN RINGGIT: The Malaysian Ringgit weakened slightly to close at 2.7755 to the Dollar Friday, after closing at 2.7700 a week earlier.

The Ringgit opened marginally down on Monday at 2.7705 but traded as high as 2.7685 on Thursday before falling back. One dealer said that despite two central bank intervention during the week, the currency lost ground because of weak commercial demand.

NEW ZEALAND DOLLAR: The New Zealand Dollar moved

up, closing Friday at 57.25 US Cents compared to 57.07 Cents a week earlier, with most interest centered on a softening of the Australian Dollar and its likely impact on the local unit.

"If the Aussie gets hammered the Kiwi could continue to trade between 57.20 and 57.40 US" Cents, a dealer said.

PHILIPPINE PESO: The Philippine Peso had by mid-week moved up smartly from the previous week's level of 27.40 Pesos to the Dollar, closing Wednesday at 28.983. Despite falling back somewhat, it still closed Friday 27.00, for a strong gain over the week.

SINGAPORE DOLLAR: The Singapore Dollar finished weaker against the US Dollar,

closing Friday at 1.7245 compared to the previous week's closing of 1.7200. It was, however, stronger against the Yen.

Dealers said there was more demand for the Greenback here than in previous weeks.

The OCBC Bank's trade weighted index, calculated against the currencies of Singapore's top 12 trading partners, stood at 135.96 on Friday.

TAIWAN DOLLAR: The Taiwan Dollar rose slightly to close Friday at 26.707 to the US currency, up from the previous week's closing of 26.721. After opening lower Monday, the local Dollar moved in a tight range between 26.705 and 26.713 in heavy trading.