

Loan guarantee to Israel will hurt ME peace effort

DAMASCUS, Sept 19: The Foreign Minister of Syria says US housing loan guarantees to Israel would be "a major obstacle to peace," but he won't say whether they would prompt his country to boycott a Middle East Peace Conference, reports AP.

Parouk Sharaa commented to the loan guarantees Wednesday during joint news conference with US Secretary of State James A. Baker.

Baker and Sharaa were to meet again Thursday. After his session with the Syrian Foreign Minister, Baker was flying to Jordan to confer with King Hussein.

Baker denied during the news conference with Sharaa that he has discussed, publicly or privately.

At the same time, he said that if the loan guarantees are debated next January in Congress, the United States "has a right to know and a right to ask how that aid and how those guarantees will be used."

Baker told the Israelis while in Jerusalem that the United States would to drop its insistence that housing aid be conditioned on none of the money being used for settlements in the West Bank or Gaza.

Sharaa said Syria would "conclude if the United States has granted the loan it would be a major obstacle to peace."

The Foreign Minister refused to respond when asked directly if Syria would boycott a peace conference if Israel receives the loan guarantees.

S. Arabia seeks more Japanese investment

TOKYO, Sept 19: Saudi Arabian Basic Industry Corp. wants its Japanese partners to bear half the 200 million Dollars capital increase planned in a petrochemical joint venture, industry sources said here, reports AFP.

Saudi Petrochemical Development Corp., the Japanese interest in the joint venture in Saudi Arabia, Eastern Petrochemical Corp., has asked its 64 member companies to study the Saudi request, the sources said.

The Saudi firm wants a capital increase to boost the joint venture's second-phase production in the east coast town of Al Jubail.

Japanese investors included trading house Mitsubishi Corp. and Mitsubishi Petrochemical Co.

Sugar talks end with drafting of a new accord

LONDON, Sept 19: Sugar-trading nations ended three days of talks here Wednesday close to drafting a new international accord, reports AP.

Their work was expected to be finalized at a meeting in London Nov. 26, according to an official of the International Sugar Organization, speaking on condition he not be identified.

Decisions already taken mean there will be no return in November to an International Sugar Agreement armed with powers to regulate world supplies and prices.

But delegates to the meeting said there was overwhelming agreement among the 40 countries at the talks to keep open the possibility of an eventual return to such market regulation in the sugar trade in a future agreement.

The dark clouds that had been threatening to engulf the energy sector in Bangladesh are now a reality. The World Bank announced on September 1, 1991, total suspension of foreign aid, estimated to be in the region of 700 million US Dollars to the energy sector.

This is likely to have severe adverse effects on the total foreign aid commitments by other donors. Power supply, which is dependent on periodic maintenance of the present power stations and investments in new power stations, will be severely affected threatening trade, industry, commerce, and of course, domestic consumers.

The actions taken by the World Bank are not in any way sudden and drastic. Repeated warnings in the past few years for Power Development Board (PDB) to pull up its socks or face total suspension of aid have fallen on deaf ears. At the heart of the whole matter is the issue of system loss, a euphemism for pilferage and theft, which has reached the phenomenal figure of 42% the highest in the world. Given the state of accounting and monitoring systems within PDB, the actual figure may be still higher.

The Finance Minister is on record as saying that lowering system loss by 1% will gener-

Major likely to send envoy UAE speeds up BCCI restructuring scheme

ABU DHABI (United Arab Emirates), Sept 19: Abu Dhabi's ruling family has appointed a new chief executive of the collapsed Bank of Credit and Commerce International (BCCI) government officials said Wednesday, reports AP.

The Al Nahyan family approved Sept. 16 the appointment of Christian Hollander a British BCCI employee, as acting Chief Executive Officer (CEO) of the bank, the officials said, speaking on condition of anonymity.

Hollander was head of BCCI international operations, and now replaces CEO Zafar Iqbal of Pakistan who is among 18 senior BCCI officials, including BCCI Advisor Swalch Naqvi, still in police custody in Abu Dhabi for questioning.

The officials said Hollander would run day-to-day operations at the bank and was working out a compensation package for fired BCCI employees, the officials said.

AFP reports from London: British Prime Minister John Major is considering sending a minister to Abu Dhabi for discussions over the closure of the disgraced BCCI, according to a letter released here yesterday.

In the letter, Major told Keith Vaz, the MP at the forefront of the campaign on behalf of the collapsed bank's London based depositors and staff, "the initiative (on a restructuring of the bank) now has to come from the representatives of the main shareholders."

To help with restructuring plans Britain would consider sending a minister

Fear of US attack on Iraq boosts oil price

NEW YORK, Sept 19: Oil prices rose Wednesday on hints the United States could attack Iraq, reports AP.

Light sweet crude oil for delivery in October settled at 21.84 Dollars per barrel, up 22 cents, at the New York Mercantile Exchange. The rally erased crude's loss of 20 cents from Tuesday's session.

Oil was given a further boost by reports from the Soviet Union that Russian President Boris N Yeltsin was suffering heart pains. Yeltsin's illness was described by officials in Moscow as minor, but the news revived worries that the Soviets could face further political turbulence, leading to oil supply disruptions.

The market was also responding to industry reports that indicate the US supply of crude oil has dropped by 14.2 million barrels over the past two weeks, a sizable plunge that analysts were at a loss to explain.

"It really was a cumulative effect," said Stephanie Rzasa Schiff, an oil broker at Dean Witter Reynolds Inc. brokerage firm.

Prices for refined petroleum products also moved higher.

Home heating oil for delivery in October settled at 61.85 cents a gallon, up 74 cent. Unleaded gasoline for delivery in October settled at 61.76 cents a gallon, up 70 cent. One gallon equals 3.8 litres.

Traders said oil's rise began early in the morning on a wave of panicky buying in London, after NBC news reported that the United States was preparing to renew a military attack on Iraq if President Saddam Hussein does not agree to full and complete inspection of his weapons sites.

Oil prices opened sharply higher about two hours later in New York. Comments from President Bush and other top government sources that dribbled out throughout the day were perceived as saber-rattling, and oil held onto most of its gains.

Others said the market's reaction had seemed restrained amid the flurry of news pushing prices higher.

In London, North Sea Brent Blend crude oil for delivery in November settled at 20.41 Dollars per barrel, up 18 cents, at the International Petroleum Exchange.

Taiwan to donate \$ 10 b for EBRD fund

TAIPEI, Sept 19: Taiwan is to contribute 10 billion US Dollars to the European Bank for Reconstruction and Development (EBRD) for developing the battered economies of Eastern Europe, officials said Wednesday, reports AP.

Central Bank of China (CBC) Deputy Governor Yu Chen and EBRD Chairman Jacques Attali will sign a pact in London later this week by which Taipei will donate the 10 billion Dollars to the fund, they added.

Taipei, which holds a massive 75 billion Dollars in foreign exchange reserves, would benefit from providing economic aid to Eastern Europe as this would boost trade ties with the region, the officials said.

On condition that Taipei approves, the London-based EBRD could use the fund to bankroll technical assistance and research and development projects.

Taipei is keen to see the East European market expand and the interests of local manufacturers protected and the cash-flush island set up a 1.1 billion Dollar overseas economic cooperation development fund in 1988 to help "needy, friendly nations" overcome financial burdens and develop their economies.

Authorities here have approved 17 applications for loans amounting to 114 million Dollars from the fund but none of the projects is for East Europe.

Trade between the Taiwan and East Europe totalled 328.9 million Dollars in the first half of this year, a 70 per cent surge over the same period of 1990, according to the Board of Foreign Trade (BOFT).

Exports to the region in the January-June period increased 71.4 per cent to 128.5 million Dollars while imports from East Europe inched up 69.5 per cent to 200.4 million Dollars.

Interest free loan to foreign currency depositors with BCCI announced

Star Economic Report
Bangladesh Bank announced on Thursday that interest-free advances to the holders of current accounts in foreign currency with the branches of Bank of Credit and Commerce International (BCCI) would be allowed through Agrani Bank.

The advance will be allowed in local currency only and will be limited to Taka 50,000 or Taka equivalent of the balance of the respective accounts as on July 4, whichever is lower, a press release of Bangladesh Bank said.

The concerned account holders have been requested to contact the head office of Agrani Bank of any further details.

The operations of the BCCI branches in Bangladesh, as many other parts of the world where the bank had its network, were suspended on July 4 following international 'scandals' involving the bank.

The government earlier allowed interest-free advances to BCCI depositors in Bangladesh against their accounts in local currency. The maximum amount of advances against such deposits was also set at Taka fifty thousand.

Nauru becomes 52nd member of ADB

MANILA, Sept 19: Nauru, a tiny Pacific island nation, has been admitted as a member of the Asian Development Bank (ADB), the Philippines-based institution said Wednesday, reports AFP.

Nauru became the 52nd ADB member country effective Tuesday after it paid the first installment of its subscription to the bank's capital stock, the ADB said in a statement.

Nauru has subscribed to 71 shares of the capital stock worth 710,000 special drawing rights (SDR, 825 million Dollars). The bank's authorized capital stock is 22.2 billion Dollars.

Venezuela to buy German oil refinery

CARACAS (Venezuela), Sept 19: A subsidiary of Petrobras De Venezuela S. A. (PDVSA), the national oil company, has signed a letter of intent to buy 37.5 per cent of a crude oil refinery in Eastern Germany, company officials said, reports AP.

The refinery, Petrol Chemisches Kombina Shwedt, processes up to 150 million barrels of oil a day. But an investment of about 580 million Dollars will be required to bring the facility, built by the former communist government, "up to western standards," said PDVSA spokeswoman Beatriz Hernandez.

The purchasing subsidiary, Ruhr Oil, is jointly owned by PDVSA and Veba Oil, which each control 50 per cent of the company. The two companies formed Ruhr in 1983.

The letter was signed early this week.

No details of the potential agreement, including the purchase price, were available since the deal has not been concluded, Hernandez said.

The planned purchase is in line with PDVSA plans to ensure markets abroad for the nation's oil production.



UNITED NATIONS: Iraq's Ambassador to the United Nations Abdul Al-Anbari answers questions from reporters September 18 at the UN. The UN Security Council is scheduled to meet for consultations to discuss the situation in Iraq. —AFP/UNB photo

UN programme not workable, says Anbari Iraq allowed to sell \$1.6b oil

NEW YORK (United Nations), Sept 19: The UN Security Council Wednesday agreed on a British draft resolution authorising Iraq to sell 1.6-billion-Dollars worth of oil to fund the purchase of needed food and medicine, reports AP.

Resolution 706 flashes out an authorization in principle, submitted to the Council on August 15, to permit the sale of Iraqi crude oil despite the ongoing UN trade embargo imposed on Iraq before the Gulf war.

The resolution is expected to go into effect today.

Part of the revenues made from the sale of Iraqi oil will be used to pay the expenses of several UN Inspection Teams and Committees such as those monitoring the elimination of Iraqi weapons of mass destruction and ensuring that nuclear facilities there are not being put to military use.

UN Secretary General Javier Perez de Cuellar in early September suggested that 1.6 billion Dollars was insufficient given the dimensions of human suffering in Iraq and the high cost of UN missions there, which is estimated at more than 660 million Dollars.

The revenues will be placed in an escrow account controlled by the United Nations. AP adds: Under the plan, up to 30 per cent of Iraq's future oil revenues could be used to compensate victims of the Gulf war.

A UN fund will collect the payments and disburse them to victims of the war and also use some of it to pay for UN efforts to demolish Iraq's weapons of mass destruction, and for other UN operations in Iraq.

Iraq must also pay half the cost of defining the Iraq-Kuwait border, one of the issues that led to the Iraqi invasion of the emirate on Aug. 2, 1990.

Iraqi Ambassador Abdul Amir Al-Anbari said Wednesday the programme is not workable, but declined to say whether Iraq would try to proceed with the oil sale anyway. He has denounced the plan as a violation of Iraq's sovereignty.

Numerous visitors to Iraq have reported an increasing shortage of medicines, water-treatment chemicals and the outbreak of diseases including cholera.

G-7, EC call for new effort to overcome GATT impasse

THE HAGUE, Sept 19: The leaders of the Group of Seven (G-7) industrialised nations and the European Community (EC) on Wednesday called for a new effort to overcome the impasse facing stalled world trade talks, reports Reuters.

British Prime Minister John Major, the current G-7 leader, also said he was optimistic the EC would reach a workable deal on Economic and Monetary Union (EMU) by the year's end.

Major was in the Netherlands for informal talks with Dutch Prime Minister Ruud Lubbers. The Netherlands holds to rotating EC presidency.

"It would be very damaging indeed if there weren't a very formidable push to reaching an agreement in the GATT round by the end of this year," Major told reporters after the meeting.

Trade talks under the General Agreement on Tariffs and Trade (GATT) stalled last December in a row between the EC and United States over proposed reductions in farm subsidies.

Lubbers said many problems remained unresolved. "We have still a long way to go to find good methods to bring the Uruguay Round to a success," he added.

Major's optimism on EMU followed the release of a Dutch proposal calling for a "two-speed" currency union.

A majority of EC members last week rejected the proposal, fearing half of its members would be left on the sidelines.

But the plan is appealing to Major since it could avoid a damaging domestic row over the issue of a single European currency by allowing Britain to sign up later.

"There is still a considerable way to go..... but I have become increasingly confident we will be able to reach an agreement on EMU when we reach the conclusion of the inter-governmental conference in December in Maastricht," he said.

Major said talks on European political union were less advanced than those for EMU and there were difficulties in a number of areas.

A suggested increase in the power of the European parliament was just one area where differences existed, he said.

"We are prepared to look constructively at what the role of the European parliament should be in the future.... (but) I think there are areas beyond which we would find it very difficult for the parliament to go at this stage," he said.

Lubbers said a treaty on political union which the Dutch Presidency hopes to have approved at the Maastricht summit would not be the end of the process.

"(It (the Maastricht summit)) will be a further step forward to a political union, defining the process in which, we can come together, Lubbers said.

World Bank likely to cut Third World funding

WASHINGTON, Sept 19: There may be a cutback in funding available for the Third World owing to the change in priorities by the World Bank President Lewis T. Preston in favour of Eastern Europe and Soviet Union, according to the Washington Post, reports PTI.

Preston has appointed Wilfred Thawit, Senior Vice President for policy research and external affairs, as Vice President for Europe and the Soviet Union though the Soviet Union is not yet a member of the World Bank.

There will be no "Senior Vice Presidents" in the bank now. One of them, Moeen Quereshi, is retiring.

Club of Rome to focus on India

WASHINGTON, Sept 19: The Club of Rome — consisting of 100 heads of state or government and leading citizens from all continents — hopes to focus next on India, Bertrand Schneider, Secretary General of the Club, told PTI here yesterday.

Schneider and Alexander King, co-authors of the Club's latest publication the first global revolution, were here for briefings correspondents on the report.

The authors said their very first volume. The limits to growth, served the purpose of shocking the conscience of humanity. They were confident that "The first global revolution" would serve the same purpose.

Singapore Dollar rises against US currency

SINGAPORE, Sept 19: The Singapore Dollar closed Wednesday at a new high of 1.6922 against the US currency and dealers said that renewed concern about the American economy could push the Green back down further, reports AFP.

They said the US Dollar's drop against other major currencies had fueled the Singapore Dollar, which rose as high as 1.6910 before casting back. Its previous high was 1.6945 at Tuesday's close.

Analysts said there were concerns that last week's interest rate reduction by the US Federal Reserve might be followed with another cut before the end of the year, and this put added pressure on the Greenback.

The over-bearishness of the US Dollar was evident some weeks ago and it is not a total surprise that it now finds itself in the doldrums. The Singapore Dollar is strong by default," said Jan Lee, Chief Economist of a Swiss Bank.

"Expectations were high after the Gulf War that the US economy would recover and be somewhat bullish but the reality is quite the opposite. Unemployment remains high in the United States. Consumers are finding it difficult to spend and the market is now re-evaluating its perception," he said.

Lee said the Greenback was also depreciating against major currencies especially the German Mark. He said he did not expect any recovery for the next six weeks, which will see mixed signals with the US Dollar "trapped in the doldrums."

Dark clouds hovering over power sector

By A Commentator

lead to reduction in system losses, given the character of our people. The strongest rebuttal to this argument is the case of the Rural Electrification Board (REB), which functions precisely the way DESA is intended to do — i.e. as a distribution company. REB was set up in 1977 and works through Rural Electricity Cooperatives, which purchase electricity in bulk from PDB for distribution and resale to their members.

System losses in REB average around 15% well below the average for Dhaka of around 50%. It is a matter of great irony that the capital city of the country which houses the Head Office of PDB should have the highest rate of system loss in the country while poor, uneducated villagers can boast of an enviable figure of 15%. So much for monitoring by PDB of its offices in and around Dhaka.

PDB's problem has always been one of managerial inefficiency because of its size and the combined power of its unions. The government and the PDB Board have shied away from taking a firm stand on any major issue because of the threat of the unions to go on an indefinite strike blacking out large areas of the country.

The number of officers and employees under DESA is estimated to be around 6,000. This is certainly a far more manageable figure than the 28,000 currently under PDB.

PDB is an extremely large organisation spread throughout Bangladesh. It is inevitable that it suffers from the problems of size, particularly with regard to bureaucracy and communication problems. An organisation the size of DESA is a much more manageable sized unit, with a much narrower range of technical requirements, and given good management, it should be considerably easier to build up and maintain efficiency.

In a smaller unit such as DESA, these restrictions would not need to be as rigidly applied and there would be more flexibility to introduce changes that would lead to greater efficiency.

All employees of DESA will enjoy all rights, privileges and benefits as they were used to, since DESA will be an autonomous government organisation just the way PDB is.

Despite all the talk of the rights and wrongs of external aid dependence, the fact remains that Bangladesh, short of natural and industrial resources, is heavily dependent on foreign aid for its existence. Virtually the whole of the development programme (65 per cent in 1980-81 and 99 per cent in 1989-90) and a major part of the revenue budget is financed by the donors, since the country cannot mobilise enough resources.

The implications of the suspension of aid is not exclusive to the World Bank alone but will trigger off a chain reaction among other donors such as Asian Development Bank, United States, Japan, France, Germany and others not only to the energy sector but to various ongoing and future development activities in all other sectors including the Jamuna Bridge.

Some progress about effective utilisation of foreign aid, a knotty question for long

cover up the revenue loss because of system loss, even the most disciplined consumer is compelled to think in terms of fraudulent means to keep his energy costs down to what they used to be.

In the Bangladesh of the 1980s and 90s, it has now become axiomatic that bank loans do not need to be repaid, income taxes should be avoided and power bills can be "managed". By introducing discipline and scaling power at affordable rates, DESA is purported to be helping the consumers to remain honest, law-abiding citizens.

The unions have threatened to go on strike the day DESA is officially launched. This may mean power stoppages for 3 days, 5 days, or 7 days. On the other hand, if DESA is not launched and aid continues to be suspended, PDB will be unable to maintain its present generation and transmission capacities (let alone any expansion programmes) because of the need to carry out maintenance and investment activities. We are looking then at loadshedding, power disruptions and its harmful effects on business, trade, industry on households for 3 years, 5 years or 7 years. Which is more acceptable?