

Pakistan denies knowing of penalties against BCCI

ISLAMABAD, Aug 7: The government said Wednesday it knew nothing of a British auditor's report that the central bank had fined the scandal-ridden Bank of Credit and Commerce International (BCCI), reports AP.

The auditor's report, published in the British newspaper The Guardian, said the State Bank of Pakistan had fined BCCI Pakistan in December 1988 for paying excessive interest on accounts to attract deposits and for breaking three other banking regulations. The newspaper did not disclose the amount of the fine.

The auditor's report was prepared for and delivered to the BCC Emirates, which is negotiating with the government to buy BCCI Pakistan's operations.

"The state bank makes routine investigations, but this is the first I've heard of this auditor's report or of an earlier fine," said Finance Minister Saraj Azte.

Khalil Hasan, Manager of BCCI in Karachi, claimed that every bank in Pakistan has been fined by the State Bank for one reason or another, including BCCI. He refused to say how much BCCI Pakistan has paid out in penalties.

"Fines are not unusual in Pakistan. Almost every week the banks here, whether domestic or foreign owned, are penalized for something," said Hasan.

Most Pakistanis believe BCCI's worldwide closures were a conspiracy by the developed world, particularly the United States and Israel, to destroy the Muslim bank because it rivaled Western financial enterprises.

BCCI's founder, Agha Hasan Abedi, lives in Karachi. BCCI's Pakistan operations are one of the few to remain open after July 5 when the Bank of England accused BCCI of widespread fraud, based on a report by British auditors, and initiated the worldwide closures.

Malaysia to resume palm oil export to Iraq

KUALA LUMPUR, Aug 7: Malaysia is planning to resume sales of palm oil to Iraq month after exports to Baghdad were interrupted a year ago by the Gulf crisis, Bernama news agency said Tuesday, reports AFP.

Abdullah Yusoff, Managing Director of The Federal Land Development Authority (FELDA), a government agency, said arrangements were being finalised to barter the palm oil for Iraqi crude oil.

The deal will be part of a long-term contract for the purchase by Iraq of 250,000 tonnes of palm oil worth between 200 million and 250 million dollars (74 million US and 93 million US) signed between FELDA and the Iraqi state enterprise for vegetable oil last month, Bernama said.

Abdullah said that the sale of palm oil was exempted from UN imposed sanctions on Iraq following its August 2, 1990 invasion of Kuwait. The sanctions exclude medicines and food, which covers palm oil, he said.

Abdullah said that Malaysia would proceed with the sale despite Iraq's failure to meet payments totalling 11.5 million dollars (4.3 million US) to a local consortium for earlier sales of palm oil.

Baghdad defaulted after the outbreak of the Gulf War. Abdullah said the palm oil for crude oil deal would be "as good as getting cash," Bernama reported.

US cuts money market interest rates

NEW YORK, Aug 7: The US Federal Reserve cut money market interest rates by a quarter point on Tuesday in a surprise move to keep the economic recovery on track, economists said, reports Reuter.

The FED, the US central bank, added reserves to the banking system, causing the key federal funds rate to drop to 5.5 per cent from what is believed to be its previous target of 5.75 per cent.

The rate is the amount banks charge one another to borrow funds overnight. It influences interest rates throughout the US economy, from mortgage rates to personal loans.

Bonds rose on the move, with the key 30-year US Treasury Bond rising a third of a point, that lowered the yield 8.20 per cent from 8.25 per cent at Monday's close.

"I've been expecting the case, but I was surprised by the timing," said Douglas Schindewolf, economist at Smith Barney, Harris Upham and Co. Inc.

366 Kuwaiti wells will never produce oil

AL AHMADI OIL TERMINAL (Kuwait), Aug 7: More than half of the 732 oil wells which the Iraqi army sabotaged in Kuwait will never produce oil again, a Kuwait oil company executive announced Tuesday, reports AFP.

"Less than half can produce again. For the others, we'll have to drill other wells and rebuild all the facilities," Mahmoud Somali, an official in the company's drilling department, said at a press conference.

He added that 274 wells were now sealed off. Oil experts in Kuwait said the destruction of the well heads, which have for months been freeing crude oil under high pressure, has simultane-

ously irreparably damaged the structure at the bottom, all the metal pipes and the fields themselves.

Before the Iraqi invasion, Kuwait had 1,272 oil wells, of which 940 were in use, Somali said. Of the 732 wells sabotaged by Iraqi troops, 640 were set ablaze.

"We are currently losing four million barrels a day," he said, "worth between 75 and 85 million dollars."

Only two crude oil gathering centers are currently functioning in Kuwait, he said, enabling a production of 1,05,000 barrels per day from the wells left intact by the Iraqi army.

In the Maqwa and Al Ahmadi oil fields, which are

closest to the capital, fire fighters have capped all but two wells, which will be extinguished by the end of the week, Somali said.

But in the huge Burgan field, one of the world's largest, US and Canadian teams are working in a surrealistic atmosphere.

Immense yellowish-orange oil flames are reflected in the lakes of oil, some of which contain more than 10,000 barrels. The fluid disappears under a thick layer of soot.

The north wind, which cleared the air and protected the fire fighters from the heat of the flames, died down Tuesday.

Indonesia may recruit ethnic Chinese

JAKARTA, Aug 7: Indonesia is considering recruiting professional managers of Chinese descent to help run state enterprises, in a move that would give the minority group a bigger role in government, press reports said yesterday, reports AFP.

Minister for State Administrative Reform Sarwono Kusuma-Atmadja said the government was currently reorganising the management of state companies to make them more efficient, the Jakarta Post reported.

One means being considered is the recruitment of professional managers from the private sector, he said, adding that the government would not discriminate on

ethnic lines in its recruitment process.

He also said that hiring ethnic Chinese managers would ease persistent tensions between Indonesia's indigenous and non-indigenous population.

"We should not hate those who manage to become successful in business operations, because discrimination will only make them eventougher," Sarwono said.

Observers said that if such a policy is put into effect, it would mark a major step forward in the government's efforts to assimilate Indonesia's ethnic Chinese, who number five million in a nation of 180 million.

Govt employees to float commercial bank in Indonesia

JAKARTA, Aug 7: The Association of State Employees Cooperatives (IKPN), a powerful group with at least three million members in Indonesia, plans to establish a commercial bank later this year, a spokesman said yesterday, reports AFP.

Bank Kesejahteraan (Welfare) is to start operations in November with a paid up capital of 50 billion Rupiah (25.5 million dollars), the spokesman said.

IKPN would put up 70 per cent of the capital and the rest would be raised by various government-owned pension fund foundations, he added.

The move came despite stiffer competition among the estimated 170 commercial banks in Indonesia

Sri Lankans can purchase gold from central bank

COLOMBO, Aug 7: The Sri Lankan government Tuesday announced that Sri Lankans would be allowed to buy gold from the central bank against the Sri Lankan Rupee with immediate effect, reports AFP.

"From today we are selling gold against the Rupee, earlier it was sold against foreign currency," central bank Governor Neville Karunatilake told reporters here.

He said there was no restriction on the amount of gold that could be bought under the new measure which was mainly to help small jewellers and jewellery exporters.

"But individuals also can buy. We hope this will also reduce the volume of gold smuggling," Karunatilake said, adding the government decision "makes Rupee gold convertible."

"We are moving very fast towards Rupee convertibility into other foreign currency," the Governor said.

The central bank did not

say at what price the gold would be sold but a sovereign or eight grams (0.25 ounce) of gold costs 4,000 Rupees or approximately 100 Dollars in the open market.

Unemployment rate up in Germany

NUREMBERG, Aug 7: The number of people out of work in formerly communist Eastern Germany, topped one million in July, the Federal Statistics Bureau said Tuesday, reports AFP.

The figure rose to 1,068,000 in July, some 226,110 higher than that for June.

For the territory of former West Germany, the number of jobless rose by 101,100 from June reaching 1,693,000 in July.

The unemployment rate for the whole of Germany stood at 5.7 per cent in July compared to 5.3 per cent in June.

He said the only limitation was that gold purchased against the Rupee could not be taken out of the country but admitted there was nothing to prevent people taking gold out of the country by "converting it to jewellery."

Colombo last week announced it would allow private dealers to open gold sales outlets at the transit area of the main international airport here. Earlier only the central bank was authorised to make gold sales at the airport.

Meanwhile Karunatilake said the strict monetary and fiscal measures introduced by the government had also brought down inflation from 19.6 per cent per annum in December 1990 to 11.6 per cent per annum in July 1991.

"The continuing emphasis on monetary discipline undoubtedly will very soon bring down the rate of inflation well below the two digit level by the end of the year," Karunatilake said.

Vietnam's rice output falls

HANOI, Aug 7: Vietnam's spring rice harvest produced 730,000 tonnes less than the previous year after natural disasters devastated the northern crop, Vice Premier Vo Van Kiet said here yesterday, reports AFP.

He told the National Assembly that foreign trade and remittances from overseas workers were also down sharply in the first half of 1991, but industrial production and foreign investment continued to climb.

The winter spring rice crop in northern Vietnam was down one million tonnes from the previous year, while southern production climbed by 270,000 tonnes, said Kiet, who is expected to be named Prime Minister this week.

He gave no total production figure, but last year's winter spring harvest produced 19 million tonnes of paddy and agriculture officials had set a

goal of 22 million tonnes for this year.

Kiet did not specify whether the natural disasters that hit the north consisted of poor weather or insect plagues. Deliveries of pesticides and fertilizers from the Soviet Union have dropped sharply in the past year.

A native of southern Vietnam's rice-growing Mekong Delta, Kiet said that ensuring proper distribution of rice through the country was one of the most important tasks facing the government.

Trade with the Soviet Union and Eastern Europe in the first half of 1991 totalled just 15 per cent of that during the same period the previous year, dragging Vietnam's overall foreign trade figure sharply lower, he said.

After years of providing Vietnam with goods on a barter basis or at concession-

ary prices, cash-strapped Moscow at the start of this year began demanding payment in hard currency at world market prices.

Remittances from Vietnamese workers abroad also plunged to just six or seven per cent of state revenues, down from earlier highs of 25 to 30 per cent, said Kiet, cited by the official Vietnam news agency.

About 200,000 Vietnamese workers have returned home from the Soviet Union, Eastern Europe and Iraq in the past two years according to the Vietnamese labor ministry.

Industrial production was two per cent up in the first half of the year, led by a 26 per cent rise in crude oil production, Kiet said. Phosphate and Nitrogen-based fertilizer production also jumped sharply, by 35 and 300 per cent respectively.

Indian govt bows down to peasants' demand

NEW DELHI, Aug 7: Bowing to pressure from the opposition and a powerful peasant lobby, India's minority government announced Tuesday that small farmers would be spared a hike in fertilizer prices, reports AFP.

Prime Minister Manmohan Singh also cut by 10 per cent the 40 per cent hike in fertilizer costs he had announced in the federal budget July 24, but stuck to his decision to hike cooking gas prices by 20 per cent.

Singh's announcement, which would cost the cash-strapped government about 200 million US Dollars was greeted with the Thumping of desks by ruling Congress (I) Party members in the

Parliament.

The minister said he had estimated a saving of about 700 million US dollars when he proposed the hike, but the saving would now come down to 500 million dollars.

He said he had made the concessions in line with the "basic philosophy of the budget: to spare the poor and in a gesture of commitment to protect small and marginal farmers, who account for 30 per cent of India's fertilizer consumption."

The announcement came after criticism from sections of the Congress (I) Party which believed the price hike would alienate the rural millions who depend for a living on agricul-

ture. Opposition parties who together command enough seats in parliament to defeat the government had threatened to vote out the budget, a move that would have toppled the Congress (I) from power.

In Prime Minister P. V. Narasimha Rao's home state, Andhra Pradesh in the South, farmers enraged by the hike had burned fertilizer storage sheds and blocked traffic, and street protests were staged elsewhere against "anti-peasant" policies.

Fertilizer subsidies burn a huge hole in India's coffers, and the price hike at a time of austerity was seen by independent observers as a sign of



MOSCOW: A woman on Moscow's busy Arbat pedestrian mall sits next to an elaborately embroidered portrait of former Soviet leader Joseph Stalin August 6. The handmade piece took several months to make and is selling for around 2000 Roubles (3,300 US Dollar).

— AFP/UNB photo

USSR to introduce VAT

MOSCOW, Aug 7: The Soviet Union is seeking to negotiate bilateral tax treaties with as many countries as possible to avoid double-taxation, Deputy Finance Minister Vladimir Rodysushkin said on Tuesday, reports Reuter.

He said Moscow should reach accords with other countries to ensure that each other's nationals did not pay taxes both at home and abroad.

"We have already concluded such agreements with about 20 countries — we want to conclude as many as possible," he told a round-table discussion on Soviet foreign economic links.

The Kremlin, trying to improve the business climate for foreign investors, has signed tax treaties recently with

South Korea, Greece, Turkey and Luxembourg.

"We may soon conclude a similar agreement with the United States. We are considering about 10 proposals from other countries," Rodysushkin said. The issue was discussed at last week's US Soviet summit in Moscow.

Rodysushkin, head of the Soviet State Tax Inspectorate, also said Moscow was ready to lay the foundations for introducing a Value Added Tax (VAT) system under which goods are taxed on the value added at each stage of their production and exchange.

"Few people here understand what this is. Many are scared," he said, although he noted that many western countries had a VAT system.

The Soviet Union introduced a sales tax of five per cent this year but withdrew it in many areas after bitter public protests.

"This was a dress rehearsal for VAT. Many economists now have a grasp of VAT, so the transition will be easier," Rodysushkin said.

He said Moscow should draw on the experience of its foreign partners in this area and seek the advice of the International Monetary Fund.

Rodysushkin also assured foreign investors that they would not have to pay both Soviet federal and republican taxes. "The only problem for foreign businessmen will be to pick the tax system they prefer, either the federal or republican," he said.

FDIC Chairman resigns

WASHINGTON, Aug 7: William Seidman, Chairman of the Federal Deposit Insurance Corp. FDIC, turned in his letter of resignation Tuesday saying he would leave his post in October after six years on the job, reports AFP.

Seidman, 70, has headed the agency which insures bank and savings and loan deposits, since 1985. He has handled nearly 1,000 bank failures and seen the agency's funds drop from more than 18 billion Dollars to near insolvency in the past four years.

The five-member FDIC has also been responsible for bailing out the failed savings and loans, an operation directed by the Resolution Trust Corporation.

As head of an independent agency, the chairman has virtually life long tenure once appointed, but Seidman began talking about stepping down in May 1990 following reports that White House Chief of Staff John Sununu wanted him out.

Seidman's possible successors include the Federal Reserve's (FED) Director of Bank Supervision.

Brokerages fined for favouritism in Japan

TOKYO, Aug 7: The Japan Securities Dealers Association (JSDA) said on Tuesday it fined 13 small and medium sized brokerages between three million Yen (22,000 Dollars) and five million Yen (36,700 Dollars) each for compensating favoured clients for investment losses, reports Reuter.

The brokerages were also ordered to improve their internal controls and rules and to report back on the changes they made, a JSDA spokesman said.

The discovery that a number of Japanese brokerages improperly compensated clients for huge investment losses on top of other financial scandals has fuelled speculation that Japanese Finance Minister Ryutaro Hashimoto might have to resign.

New Japan Securities Co Ltd, Kankaku Securities Co Ltd, Kokusai Securities Co Ltd, Wako Securities Co Ltd, Sanyo

Securities Co Ltd Tokyo Securities Co Ltd and Dai-ichi Securities Co Ltd, having each paid out over one billion Yen (73 million Dollars) in compensation, were each fined five million Yen.

Okasan Securities Co Ltd, Taiheyo Securities Co Ltd, Toyo Securities Co Ltd, Marusan Securities Co Ltd, Yamatosecurities Co Ltd, and Mito Securities Co Ltd were each fined three million Yen, having paid less than one billion Yen in compensation.

The 13 brokerages compensated 380 institutions and six individuals for 43.7 billion Yen (321 million Dollars) in the 30 months to March 1990, according to figures released but the JSDA last week.

The Tokyo stock market has been in turmoil since late June, when Japan's leading brokerages admitted compensating elite clients for losses.

The JSDA fined the big four brokerages on July 10.

Australia's fast train project suspended

CANBERRA, Aug 7: Australia's Very Fast Train (VFT) Project appeared doomed Wednesday following a decision of its financial backers to indefinitely suspend work in response to a government refusal to allow tax concessions, reports AFP.

The VFT Consortium, headed by Australia's biggest company BHP Ltd., said in a statement it was closing down its office here and suspending all work on the seven billion Dollar (5.5 billion US) Project.

"BHP believes the VFT project offers very substantial benefits for Australia and regrets the need to take this action," the company said in a statement.

The project would have provided a high speed 850 kilometers (530 mile) railway connecting Sydney and

Melbourne, via the capital Canberra, cutting the trip from about 12 hours to three hours.

However, the cabinet rejected Tuesday a submission from the joint venturers to allow them to transfer the tax deal to all taxpayers.

The Consortium had already spent more than 15 million Dollars (11.7 million US) in developing the concept, although BHP was the only company still funding it.

The others — the Japanese construction giant Kumagai Gumi, the big multinational transport company TNT and Elders IXL — had all already withdrawn funding for various reasons, although they are still equal financial partners.

BHP spokesman Peter Lever said he hesitated to say the project was now dead.

USSR, IMF agree terms of cooperation

MOSCOW, Aug 7: The Soviet Union and the IMF have agreed that technical cooperation should be Moscow's first step towards full membership of the world's major financial institutions, a senior Soviet banker said on Tuesday, reports Reuter.

Oleg Moshayskov, head of the hard currency department at the Soviet central bank, said agreement was reached during a recent visit by International Monetary Fund (IMF) and World Bank delegations.

Leaders of the group of seven major industrialised democracies offered Moscow associate IMF status at a meeting with President Mikhail Gorbachev in London last month.

This would make it eligible for IMF advice on market-oriented reforms for the Soviet economy.

But Gorbachev signalled that the Kremlin wanted more by lodging a surprise application for full IMF membership, which would also provide access to badly-needed credits.

"We have come to a general understanding of what associate status should mean," Moshayskov told a round-table discussion on Soviet foreign economic relations.

"Associate status is an intermediary position that the Soviet Union will hold in order to launch an intensive process for full membership. We are not talking about money but about technical aid," he said.

The Soviet Union is seeking to replace its old central planning system with a market economy which would be integrated into the world financial system.

"Our objective today is to hammer out a concrete mechanism for this integration," said Ivan Ivanov, a consultant to the Soviet parliament on foreign economic relations.

He said close attention was being paid to recommendations contained in a three-volume IMF report on the Soviet economy, drawn up late last year.

Planned reforms include sweeping privatisation, price liberalisation and moves to make the Rouble convertible.

Moshayskov said an IMF office would be opened in Moscow. But he acknowledged that it could be some time before Moscow was ready to become a full member of the IMF and World Bank, especially if the reform progress was sluggish.

He said that in addition to picking IMF brains on reforms the new relationship would allow Moscow to study IMF operations and to attend meetings of its board of directors.

In return, the Soviet Union would do everything possible to make relevant information available to IMF experts. But some data, such as gold reserves, remained confidential.

Inflation rate falls to 3.4 pc in Australia

SYDNEY, Aug 7: Australia's annual inflation rate fell to 3.4 per cent in the year to June 30, its lowest level for more than 21 years, official figures out Wednesday showed, reports AFP.

The Bureau of Statistics said that falls in petrol and vegetable prices helped restrict the rise in the June quarter Consumer Price Index (CPI) to 0.1 per cent.

This compared to a fall of 0.2 per cent in the March quarter CPI and a jump of 1.6 per cent during the June quarter last year, it said.

The annual inflation result, down from 4.9 per cent in the year to March 31, was the lowest genuine annual figure recorded since the March quarter 1970 of 3.2 per cent.

Norwegian tanker leaks oil in S African coast

CAPE TOWN, Aug 7: A Norwegian-registered super-tanker was leaking oil off South Africa's Eastern Coast on Sunday after its steering gear was smashed in the same violent storm that sank a Greek Cruise ship, rescue officials said, reports Reuter.

Earlier on Sunday, The Cruise Ship Oceanos sank off the rugged Wildcoast, leaving about 50 people who were on board still unaccounted for. More than 500 people were rescued.

Officials said a large slick spreading from the super-tanker, the Mimosa, was being sprayed by a South African Anti-Pollution Vessel.

They said the 357,000 weight tonne tanker was being towed offshore by a salvage tug after drifting close to the coast near Port Elizabeth.

pragmatism.

Fertilizer prices had not been raised for a full decade during which agricultural and non-agricultural prices almost doubled, and subsidies have been mainly to the advantage of big farmers, critics have said.

The concessions announced Tuesday amounted to a second setback on the budget for the government, which last week bowed to opposition pressure and scrapped a 38.5 million Dollar grant for a private foundation named after slain former Premier Rajiv Gandhi.

The right-wing Bharatiya Janata Party (Indian People's Party) welcomed the slashing

of the hike and the Congress (I) called it a "major step towards furthering the party's objective to promote social justice."

But Singh held firm on a 20 per cent hike in cooking gas prices, justifying it on the grounds they had not been raised for five years and defended himself against charges that he had tailored the budget to IMF dictates.

India is negotiating with the International Monetary Fund for a huge loan to rescue its ailing economy, and the opposition has charged that the slashing of subsidies and moves to decontrol trade and industry were influenced by

the agency.

Singh said conditions were inevitable in any lending programme, but India would accept none that were harmful to its national interests.

"We need not fear going to the IMF," he said in his reply to a long discussion on the budget. "We have been borrowing from the IMF. China has been going to the IMF. The USSR is seeking entry into IMF."

He, however, refused to reveal the conditions that would accompany IMF credits, saying if the details were disclosed "we will be negotiating with both our hands tied behind our backs."