

Zimbabwe critical on conditionality of western aid

DAR ES SALAM, Aug 16: Visiting Zimbabwean Foreign Minister Nathan Shamuyarira has criticized some western countries for tying political pluralism to economic aid, reports Xinhua.

Shamuyarira, who arrived here on Tuesday for a three-day visit, said at the center for foreign relations here on Wednesday that this was an unfortunate development.

The minister questioned the method of linking economic aid to political pluralism saying this could be deceptive.

He picked out the United States which he said was flexing its muscles to impose its demands on the weaker countries.

He also criticized the International Monetary Fund and World Bank for attaching conditions to loans for African countries.

Reuters starts transmission of SET stock prices

HONG KONG, Aug 16: Reuters, the international news organisation, on Wednesday started transmitting stock prices direct from the Stock Exchange of Thailand (SET), reports Reuters.

The new service will give real-time trade prices, bid and asks, highs and lows and other related information.

"There is worldwide demand for this data and we are delighted that we can deliver it," said Jeremy Penn, Marketing Manager for Reuters South East Asia Limited.

The comprehensive feed will cover 274 SET listed instruments.

Privatisation to start in Prague next year

PRAGUE, Aug 16: State property worth an estimated 80 billion Dollars will be sold off to foreign and local investors, when large-scale privatisation kicks off in Czechoslovakia January 1, 1992, officials said Thursday, reports AP.

Following the demise of communism in this Central European country in 1989, the new government began implementing the painful transformation of the state-run command economy into a Western-style market system.

Small-scale privatisation in which shops and restaurants are sold to the highest bidder at auctions began on January 26 this year. So far, facilities worth over 1 billion crowns 33 million Dollars have been sold at auction.

The plans for large-scale privatisation mark "a one-time opportunity, unprecedented in this country," Miroslav Zamecik, economic adviser to President Vaclav Havel said in a telephone interview.

According to Zamecik, property worth some 2,500 billion Czechoslovak crowns, or 80 billion Dollars, will change hands over a period of several years, starting January 1, 1992. He did not say how the property was evaluated.

Leading managers of all state-owned enterprises are to submit privatisation projects to the country's Finance Ministry by the end of October, outlining their ideas, for privatisation.

Taiwan to curb driftnet fishing

TAIPEI, Aug 16: Taiwan's Council of Agriculture said on Wednesday that Taiwanese fishing boats had illegally engaged in driftnet fishing and promised it would crack down on violators to avert threatened US economic sanctions, reports Reuters.

More than 10 Taiwanese boats violated regulations by driftnet fishing in restricted areas in June, Lee Jen Chyuan, Director of the Council's Fishery Department said by telephone.

Lee said the government would punish the boats when they returned to Taiwan from the north Pacific by revoking their licences for between one and three months.

In Washington on Tuesday, US Commerce Secretary Robert Mosbacher certified that Taiwan and South Korea had broken bilateral agreements by allowing illegal driftnet fishing.

Under US law, Mosbacher may recommend to President George Bush that he cut off seafood imports from Taiwan and South Korea, Bush has 60 days to notify Congress of his actions.

Driftnets often pull in seals, dolphins, salmon and seabirds in violation of international fishing accords.

This blatant violation of our driftnet agreements by both Taiwan and the Republic of Korea is intolerable and cannot be ignored Mosbacher said.

IMF for greater democracy

NAIROBI, Aug 16: International Monetary Fund (IMF) Managing Director Michel Camdessus yesterday called for greater democracy to spur economic development in impoverished Third World countries, reports Reuters.

Pluralism participatory regimes are good friends of development, he said at the start of a tour of East African nations, Kenya, Uganda and Tanzania — all one party states whose market reform programmes are funded by the Washington based IMF.

You can expect US in the following years to press this point he told reporters at Nairobi's airport.

Camdessus said accountable governments with institutions open to public scrutiny and popular participation in decision-making, were keys to economic recovery.

But he added that while he applauded recent steps toward

multi-party systems in parts of Africa and elsewhere, the Fund's financial support was not tied to specific political changes.

There is no such thing in the IMF as political conditionality he said.

Pressure for political pluralism has mounted across much of Africa in the past year with varying degrees of resistance from long-serving Presidents or Military Rulers.

Kenyan President Daniel Arap Moi had repeatedly ruled out the reintroduction of opposition parties saying that this would split the population along tribal lines and create chaos.

President Yoweri Museveni of Uganda who is due to meet Camdessus later this week, postponed elections due in 1990, but Ali Hassan Mwinyi of Tanzania has allowed discussion on the end of 26 years of one party rule.



Wayside flower shops in the city. They maintain supply of bouquets for ceremonies and get small sum of money to earn their livelihood. — Star photo

Philippine economy may be crippled

MANILA, Aug 16: The withdrawal of US military bases would scare away foreign investors and have other crippling effects on the Philippine economy, the Central Bank governor said Friday, reports AP.

Jose Cuisia told a Senate foreign relations committee hearing that the US military bases have had a "psychological effect" on foreign investors due to "perceptions of security and stability brought about by US military presence, particularly in the Asia-Pacific region."

Without US base-related expenditures and assistance, the country's balance of payments would deteriorate by about 1.36 billion Dollars yearly for the next 14 years, beginning in 1991, Cuisia said.

"Apart from these foreign

exchange inflows, there is a potential loss of US foreign investment averaging about 50 million Dollars annually for the past five years, as well as foreign investments from other countries resulting from the perceived loss of confidence brought about by the pull-out of the military bases," Cuisia said.

US and Philippine negotiators announced an agreement last month under which the United States would close Clark Air Base by Sept 16, 1992 but would continue to operate Subic Bay naval base for 10 more years for \$203 million in annual rent.

The United States also agreed to turn over four smaller facilities this year.

Cuisia told the senators that if the bases close, the unemployment would rise.

Swiss Bank's discount rate to be raised

ZURICH (Switzerland), Aug 16: The Swiss national bank's discount rate will be increased from 6 to a historic high of 7 per cent effective Friday, reports AP.

An SNB communique, issued shortly after a similarly sharp increase of the German rate, said the move was taken "in keeping with the measures taken by other central banks."

It said the increase, the first in almost two years, did not imply a change in its monetary policy. Switzerland's inflation rate has risen to an annualized 6.6 per cent, the highest in almost a decade.

Unlike that of other countries, the Swiss discount rate is not considered by the market to be a key interest rate, however.

Nationalisation of banks ordered in Georgia

MOSCOW, Aug 16: The Georgian republic's parliament ordered the "nationalisation" of all Soviet banks on its territory on Thursday, the official Soviet news agency Tass said, reports AFP.

"All local branches of the Soviet state banks are declared the republic's property," according to a motion passed by the Georgian Supreme Soviet, or parliament.

Georgian branches of the Soviet Central Bank "will form a national bank of Georgia," the motion said.

Branches of other federal banks will be transformed into state banks or Georgian-owned commercial banks, Tass reported.

The main Soviet banks involved are the Sherbank, for savings accounts, and the Vnechekonbank, the foreign trade bank.

Georgia is one of several pro-independence republics that have refused to sign the new union treaty on the future shape of the Soviet Union.

UAE agrees to help BCCI HK

HONG KONG, Aug 16: Abu Dhabi has agreed to cover any hidden liabilities in its majority-owned Bank of Credit and Commerce Hong Kong (BCCHK), giving the Hong Kong unit of the scandal-ridden BCCI a reprieve from liquidation, a BCCHK source said today, reports Reuters.

At least three groups are believed to be interested in buying the BCCHK, but they have asked for a guarantee from either the Hong Kong government or a bank.

The source said Abu Dhabi officials had promised in principle to give a commercial guarantee to potential buyers during a meeting with a BCCHK executive in the Middle Eastern country last weekend.

Hong Kong's Commissioner of Banking David Carse confirmed Abu Dhabi's promise and said the government was looking into at least one formal offer to take over the BCCHK.

"It has to happen pretty quickly, but I don't know the time frame," he said in a telephone interview. "An agreement of principle could be signed soon, but deciding on the net assets of the bank would take some time."

"The BCCHK is owned by the BCCI, which in turn is 77 per cent held by the Abu Dhabi government."

"They want to facilitate a sale if they can, and if it (the demand for a commercial guarantee) was the primary deadlock, they are willing to assist," said the source, who asked not to be identified.

Regulators, led by the British Central Bank, seized the Luxembourg-based BCCI's operations on July 5 amid charges of widespread corruption.

Carse said he was not aware so far of any significant amounts of hidden liabilities following investigations by the provisional liquidator into the

BCCHK's finances. The government moved to liquidate the BCCHK on July 17, triggering protests and hunger strikes by angry depositors.

The government's closure of the bank only two days after saying it was healthy helped spark a chain of bank runs in the British colony.

No prices have been discussed yet for a potential sale, but Abu Dhabi officials have said money is not an issue, the BCCHK source said.

The BCCHK was worth 70 million US Dollars according to the bank's 1990 annual report, but its worth has declined since it closed, he said.

Potential buyers would have to deal with the possibility of lawsuits and a rush of withdrawals by disgruntled depositors. The assets of the bank could be transferred to a new company to protect against lawsuits, Carse said.

US budget deficit to swell

WASHINGTON, Aug 15: The federal deficit will swell to a record 362 billion Dollars next year before beginning a slow decline in 1995, but no balanced budget is in sight, Congressional Budget Office said Thursday, reports AP.

While the Bush administration forecasts a 55 billion Dollars deficit in 1996, CBO economists projected almost triple that amount of red ink: 156 billion Dollars.

Once fluctuations caused by the Gulf war, the recession and the savings and loan bailout are ended, the nation's underlying deficit is expected to stabilize in the range of 170 billion Dollars over the next several years, CBO said in its midyear economic review.

"In relation to the size of the economy, such deficits are no better than those of the late 1980s and considerably worse than the average of the 1960s and 1970s," CBO said.

The report agreed with many other analyses that the recession ended during the April-June quarter. "It was relatively shallow in comparison with other postwar recessions, and the recovery is expected to be moderate," the report said.

"CBO projects that real

Mexico's GDP rises by 4.8 pc

MEXICO CITY, Aug 16: Strong economic performance through the first half of the year boosted Mexico's Gross Domestic Product by 4.8 per cent, two Cabinet departments told Congress Thursday, reports AP.

"Never in the history of the country were public finances as solvent as they are now," said the reports issued by departments of the treasury and planning and budget.

growth will approach 3.50 per cent in 1992, and that interest rates will climb modestly from current levels. The recession has reduced inflation, probably to below 4 per cent.

"Over the 1993-1996 period, CBO expects real growth to average about 2.50 per cent with stable inflation and modest drops in interest rates," the report stated.

CBO said Congress and the administration are holding to the nearly 500 billion Dollars five-year deficit-reduction plan enacted last year. The only major departure from the agreement was to pay the costs of the Gulf war.

But respecting that agreement will be far more difficult beginning in 1994, because of new limits on discretionary spending and the likely need to raise the limit on government borrowing, the report said.

Germany raises interest rates

FRANKFURT (Germany), Aug 15: Germany's central bank said Thursday it is lifting its discount rate from 6.5 per cent to 7.5 per cent and its Lombard rate from 9.0 per cent to 9.25 per cent, reports AP.

The powerful Bundesbank took the actions, despite government concerns that the long-rumoured boosts could hamper economic development in eastern Germany.

The discount rate is the lowest rate at which a bank can borrow funds, using treasury bills as collateral.

The Lombard rate is the rate at which the Bundesbank lends short-term funds using securities as collateral. It is the ceiling for money market rates, and banks normally borrow Lombard funds only in an emergency.

AP adds from Berlin: Germany's central bank on Thursday made it more ex-

pensive to borrow money, despite fears the hikes could thwart economic growth at home and abroad.

US officials, struggling to lead their country out of recession, had opposed the long-rumored increases. The Federal Reserve Board already has lowered interest rates to stimulate the sluggish American economy.

Germany's neighbours also objected, saying higher borrowing costs would curb economic growth elsewhere in Europe. But several European countries peg their currencies to the German Mark, meaning that interest rates will be going up there as well.

Shortly after the German decision, the Swiss National Bank said it was lifting the discount rate from 6 per cent to a historic high of 7 per cent, effective Friday. The Dutch, Belgian and Danish central banks also raised their rates,

while the Austrians were to decide on Friday. Bonn government officials are worried the Bundesbank's action could squelch economic improvements in the struggling eastern part of Germany. The Bundesbank's decision was based in large part on its determination to hold down inflation in Europe's leading economy.

In announcing the increases, Bundesbank officials said they reflected the commitment to a "stability-oriented" policy.

Inflation has been running at about 4.4 per cent a year in the western part of the country, while prices climb even more rapidly in the east.

The increase in official German interest rates is aimed at curbing price increases and at preventing those price increases from feeding into the 1992 wage talks.

UK's unemployment rises to 2.37m

LONDON, Aug 16: Unemployment in Britain rose by 67,000 to 2.368 million in July, its 16th consecutive monthly rise, official figures revealed on Thursday, reports AFP.

The increase, slightly larger than analysts' average expectations of a 60,000 advance, takes unemployment to 8.3 per cent of the workforce against 8.1 per cent in June. In June unemployment rose by a revised 59,000.

Underlying average earnings in the year to June rose by 8.25 per cent, against 8.5 per cent in May. The fall was in line with analysts' expectations.

Unit labour costs in manufacturing rose by 10.7 per cent in the year to the quarter ending in June. Analysts' average expectations had been for a 10.9 per cent rise. In the year to June, unit labour costs rose by 9.1 per cent against 10.8 in May.

Welcoming the figures, a treasury spokeswoman said the 1.5 per cent fall in the increase in underlying average earnings over the last six months was the sharpest for nine years and that the pace of increases in unemployment had clearly eased.

Taken together with other statistics published this week on manufacturing output and retail sales, this is further evidence that the worst of the recession is over," Employment Secretary Michael Howard said.

Final retail sales figures for June, published on Monday, showed a 1.5 per cent monthly rise after earlier figures had indicated a 1.3 per cent increase, while manufacturing output rose by 0.3 per cent in June from May, its first increase since March.

But economists believe that steady rise of unemployment is restraining a rise in consumer confidence



BAGHDAD: Iraqi Shiite women register August 15 for foods distribution handed by the United Nations. Baghdad Radio called on Arab and Islamic countries August 14 to violate the year-old UN economic embargo against Iraq. — AFP/UNB photo

European banks lend USSR to buy US grain

WASHINGTON, Aug 16: Western European banks are making the most of US grain exports to the Soviet Union, lending hundreds of millions in US government-backed loans while their US counterparts lag behind, bankers and officials say, reports AP.

"For the last several years, American banks have been minor players in our programmes," said Paul Dickerson, in charge of foreign sales at the US Department of Agriculture, in an interview Thursday.

"For reasons of their own —

their own tax structure, perhaps— (foreign banks) may be willing to work at different profit margins from American banks."

Hugo Steersma, General Manager in New York of Raboban Nederland of Utrecht, a Dutch Bank, said his bank had lent 100 million Dollars of the more than 600 million Dollars US-backed loans to the Soviet made by European banks in the fiscal year ending Sept 30.

Iva Milias, a Vice-President in New York of the Banque Nationale De Paris, said it was

lending 300 million Dollars. The US branch of Barclays Bank, which is British, said it had lent 150 million Dollars.

Banque Indosuez, another French bank, is lending about 60 million Dollars said Jean-Claude Gruffat, General Manager of Indosuez' New York branch.

No Japanese banks were reported involved in the grain deals. The Japanese government has been reluctant to provide aid to the Soviet Union because of a territorial dispute since World War II.

The US government will

guarantee another 900 million Dollars in loans by European banks to the Soviet Union in the current fiscal year.

John Haseltine, an analyst for the Institute of International Finance, said the absence of American lenders was due at least in part to mistrust of the political situation in the Soviet Union. The institute represents major banks around the world.

Steersma said that US banks had made loan bids that were not accepted.

The Soviet Union's 15 republics and the central gov-

ernment in Moscow are still disputing how to divide up financial responsibilities. Haseltine suggested that US banks are also especially cautious these days because of the uncertain state of the US banking system.

President Bush announced in June that the US government would guarantee 1.5 billion Dollars worth of loans from private banks for the Soviet grain purchases. The government subsidizes the sales at the rates of 51.01 Dollars a metric ton.

White House spokesman

Merlin Fitzwater said the president decided that the Soviets were creditworthy and would repay the loans. If not, the US taxpayer will be responsible for 98 per cent of the loan principal and part of the interest.

The President has also permitted the US government's Export-Import Bank to guarantee 300 million Dollars worth of loans to the Soviets to buy US industrial goods.

Lenders can be American or foreign banks. Loans worth 51.1 million Dollars have been processed under that programme.

BCCI bailed out Pak gov

KARACHI, Aug 15: The scandal-tainted BCCI bailed out the government with short-term loans to stave off balance of payment crises but so did other foreign banks, officials said Thursday, reports AP.

The government actually went more often to banks other than the BCCI for emergency financial help in the 1980s, said Ihtiaz Alam Hanfi, the Governor of the State Bank of Pakistan.

Hanfi said among the banks used by Pakistan for emergency short-term, high-interest loans were the Saudi Arabian Faisal Islamic Bank, ANZ Grindleys Bank and the US-based Citibank.

The Financial Times, Britain's leading business daily, said BCCI bailed out the Pakistan government when no one else would help, a charge denied by Hanfi.

The newspaper also said that in return for its help BCCI received favours such as Pakistan government contracts for itself and important clients. The Pakistan government did business with the BCCI like it did with any foreign bank," Hanfi said in an interview. "BCCI provided short term commercial loans to Pakistan at the going international rates."

Second newsmen digging into scandal killed?

CHARLESTON, Aug 16: A journalist whose body was found in a West Virginia hotel may have been the second reporter investigating the Bank of Commerce and Credit International to die mysteriously, colleagues said.

The Luxembourg-based bank is engulfed in a banking scandal involving alleged massive fraud, laundering of drug money and supporting terrorists.

Joseph D. Casolaro, 44, of Fairfax, Virginia, whose friends said was investigating the bank among other things, was found dead Saturday in the bathtub of his room at the Sheraton Inn in Martinsburg, in the state's Eastern Panhandle.

His wrists had been slashed and authorities initially ruled the death a suicide. The body was embalmed and an autopsy was not ordered until after family members were contacted. Details of the autopsy performed Wednesday were to be released later Thursday.

Casolaro had been working for a year on a book on allegations the Justice Department stole software from the Washington, DC-Based INSLAW Inc.

The company has alleged the software, useful in tracking disidents, may have been sold to foreign intelligence agencies. The case has been tied up in federal court since 1986.

Casolaro had told friends he was going to West Virginia to talk to a source and had uncovered information that would "bury the Justice Department."

"He was saying 'they' took that INSLAW software and sold it overseas and took the profits from that and turned it into arms for the Contras," O'Connell said Wednesday. "That's what he was working on and he told me he thought BCCI was the conduit for all of these money transactions."

O'Connell noted that Sen. Alan Cranston, said at a hearing on BCCI last week that a freelance journalist killed July 29 in Guatemala City had told acquaintances he was working on a "big story" related to BCCI in Guatemala.

Luxembourg court rejects appeal

LUXEMBOURG, Aug 16: The Luxembourg Court of Justice yesterday dismissed a challenge by BCCI against a decision to put the bank's Luxembourg operations under administration, court sources said, reports Reuters.

The decision, on technical grounds, meant that BCCI Luxembourg operations would remain under a three-man administration appointed on August 1.

The sources said the court ruled an appeal against the administration order "not receivable" for two technical reasons: the original appeal was filed by a BCCI employee who was not qualified to do so and by the time the BCCI board had lodged a follow-up motion the deadline had passed.

But Luxembourg's financial watchdog, the Institut Monetaire, has threatened recently to take the harsher step of liquidating BCCI operations in Luxembourg unless the bank's majority shareholder, Abu Dhabi, compensates non-British depositors.

Individuals had deposited a total of 2.2 billion Luxembourg Francs (62.6 million Dollars) at BCCI in Luxembourg of which only 1.6 billion Francs (45 million Dollars) are covered by Luxembourg's deposit guarantee fund.