## US Federal Reserve seeks prosecution of wrongdoers

## Salvage of BCCI London begins

LONDON, Sept 13: The British staff of Bank of Credit and Commerce International and its Abu Dhabi shareholders have each begun work to try to relaunch the local operation that regulators closed down amid broader allegations of major fraud, reports Reuter.

Runi Khan, Joint Manager of BCCI's main branch in London's financial district, said in a telephone interview that staff have embarked on drawing up proposals for a new

The proposals would be presented to depositors before submission to the Bank's shareholders. Khan went to Abu Dhabi last month to brief its ruler and major BCCI shareholder, Sheikh Zaid Bin Sultan Al-Nahayan.

She said they discussed ideas for a restructuring. These included having depositors leave their money in a new bank for up to five years, foregoing interest for the first year, or receiving interest quarterly or half-yearly, she

Other elements considered were equity participation, a subordinated loan and a redundancy package for staff who would inevitably be lost in a relaunched smaller bank.

The Abu Dhabi authorities were offended not only by the action of the Bank of England in leading regulators in a number of countries to shut down BCCI on July 5, but also by the failure of British officials to

#### Soviet envoy in Riyadh to seek economic aid

RIYADH, Sept 13: Soviet Presidential Envoy Yevgeny Primakov arrived Thursday in Saudi Arabia and met King Fahd amid reports he would be seeking economic aid from the oil-rich Kingdom, reports AFP. Primakov, who arrived at

the Western city of Jeddah from Cairo, had talks with Foreign Minister Saud Al-Faisal before being received by the Saudi monarch, informed sources said.

He is expected to deliver a measage to King Fahd from President Mikhail Gorbachev dealing with the latest developments in the Soviet Union.

Arab diplomats in the region said Primakov was likely to seek financial assistance for his country from the oil- rich Gulf states.

After Saudi Arabia, Primakov will travel on to Kuwait, Iran, Turkey and the United Arab Emirates. He started his Middle East tour in Egypt.

Saudi Arabia recently agreed in principle to grant the Soviet Union a four-billion-Dollar loan and Riyadh told Moscow after the failed coup against Corbachev that the offer was still valid, the diplomats said

In Cairo, Primakov met President Hosni Mubarak and Foreign Minister Amr Moussa for talks that he said dealt largely with bilateral ties and economic cooperation.

Efforts by the United States and the Soviet Union to convene a Middle East Peace Conference were also discussed. Primakov said Moscow would still take part in the proposed forum despite the political upheavals in the Soviet Union.

#### Bush's threat to veto loan guarantee shocks Israel

JERUSALEM, Sept 13: US President George Bush's threat to veto huge loan guarantees to Israel has left Israeli officials in a state of near-shock, Israel Television said, reports Reuter.

"I would say Jerusalem is almost in shock this evening. They are stunned by what happened," diplomatic correspondent Gadi Sukenick said on Thursday night after Bush defended his decision to delay 10 billion Dollars in loan guarantees to help resettle Soviet Jews.

Israel has pressed the request despite appeals by the Bush administration to delay the guarantees for four months so a proposed Middle East peace conference can get under way.

Bush vowed on Thursday to veto any bill pushed through Congress.

Hardline Energy Minister Yuval Neeman said, "The President took his gloves of and pitted himself squarely against the Jewish people and against the state of Israel, Itim news agency reported.

But opposition member of Parliament Yossi Sarid called for a halt to intensive American Jewish lobbying in favour of granting the guarantees, Israel Radio said.

visit the Emirate to explain the situation, Khan said.

Abu Dhabi was all the more sensitive because it has supported the US-led international force in the Gulf war.

BCCI staff are preparing a set of detailed proposals for a new bank which they will ask depositors to accept and then put to Brian Smouha, provisional liquidator to BCCI group worldwide, Khan said.

Smouha would then present the proposals to BCCI.

Britain's High Court gave Smouha until December 2 to come up with a restructuring plan for the British operations

Before July 5, Abu Dhabi shareholders had set aside 4.5 billion to five billion Dollars in capital for a worldwide relaunch of BCCI. That means there could be money if a credible plan could be agreed, BCCI sources said.

The original plan for the re-

structured bank, whose board was approved by the Bank of England, still exist. But any application for a licence must have central bank approval.

- Since its action against BCCI, the British central bank has made two attempts to put the crippled bank into liquidation. But it says it will treat any application for a licence on

AP from Washington adds: "Systematic and deliberate criminal fraud" by the BCCI overwhelmed the Federal Reserve, making it impossible to uncover BCCl's illegal ownership of a US bank sooner, Fed officials said Friday.

Lawmakers attempt to determine how much Fed offi cials knew about the operations of BCCI, the foreign owned bank enmeshed in a scandal involving alleged mas sive fraud, laundering of drug money and support of terror-

in 1981, the Fed approved the purchase of Financial General Bankshares, Washington-based bank holding company, by a group of Persian Gulf investors.

But this summer, the Fed announced it had discovered that the Arab investors acted as fronts for BCCI in its illegal takeover of Financial General, now called First American Bankshares Inc.

The Federal Reserve does not have the power to coerce truthful testimony from uncooperative criminal conspirators. Nor can the Federal Reserve offer immunity to those willing to come forward."

The Fed, the Justice Department and other government agencies have recently come under fire for alleged failure to pursue BCCI's illicit activity earlier.



MOSCOW: Red Army soldiers from a local division load bags of potatoes in a state-run shop here September 12. A serious food shortage is expected this winter and the army has been called in to help harvest and distribute food stuffs. -AFP/UNB photo

## Major trading nations' meet to decide Soviet food aid

ANGERS(France), Sept 13: Trade ministers from 15 of the world's economic powerhouses began arriving here on Thursday for a key meeting amid calls for massive food aid for the Soviet Union and the trade concessions for East

Europe, reports Reuter. The European Community, United States, Japan and Canada have sent their top trade officials to a two-day meeting that starts on Friday

morning. Trade Ministers from the so-called quadrilateral countries meet informally every six months. At this week's meeting, the ministers are expected to renew their now familiar pledge to try to wrap up five- year- old world trade

talks they say are a key to world economic growth in the

The meeting comes against a backdrop of upheaval in the Soviet Union and calls for greater Western trade assis-

, Both EC Trade Commissioner Frans Andriessen, the meeting's host, and Canadian Trade Minister Michael Wilson have just completed trips to the Soviet Union.

On Wednesday, Soviet caretaker Prime Minister Ivan Silayev told Andriessen in a letter that the Soviet Union will need massive food aid to help stave off hunger this

According to Soviet Estimates, the aid would have a value of five to six billion European Currency Units (six to 7.2 billion Dollars) and include grain, meat, sugar and other products.

**EC Commission President** Jacques Delors said on Wednesday that at least two billion Dollars of food aid was needed to help the Soviet

How the developed countries can best help the Soviet Union and to which authorities any aid should be directed are questions that could be addressed by the ministers meeting here, trade officials

Delors and French Pres dent Francois Mitterrand have proposed EC aid be used to buy

## Bush pledges to veto \$10b loan guarantee for Israel WASHINGTON, Sept 13:

President George Bush went head to head with the powerful American Jewish community on Thursday, pledging to veto 10 billion Dollars in loan guarantees for Israel to win a 120day pause for Middle East peace, reports Reuter.

Bush called a hastily arranged news conference after a thousand American Jewish activists descended on Washington and lobbied Congress to defy him and give

Israel the money now. In an impassioned appeal, Bush said that granting Israel loan guarantees to help resettle Soviet Jewish immigrants now would risk upsetting delicate diplomatic efforts to convene a historic Arab-Israeli peace conference next month.

"Nothing should be done that might interfere with this prospect and, if necessary, will use my veto power to prevent that from happening," Bush declared.

"Peace is what these new immigrants to Israel and indeed all Israelis long for. Their chance for a decent job, a decent life, depends on it," he

It was the latest escalation in what is rapidly becoming the most bitter battle between a US President and the sixmillion-strong American Jewish community since the fight over the sale of Awacs spy planes to Saudi Arabia in 1981.

Bush defended his record of supporting Israel, saying this year alone the United States had given the Jewish state over four billion Dollars in aid — "nearly a thousand Dollar for every Israeli man woman and child."

lle accused some of Israel's supporters in Congress of trying to prevent him taking steps vital to US security by pursuing Middle East peace and recalled that many had also voted against war with Iraq last January.

Despite an intensive personal lobbying campaign by Bush who said he had worn out the telephone and one ear call ing members of Congress Jewish leaders believe they still have the support of a solid majority to pass loan guaran-

Jewish leaders reject the notion that money could have any effect on the peace pro-

#### Dollar, gold fall in NY

NEW YORK, Sept 13: The Dollars Thursday fell in active trading against most foreign currencies, as did the price of gold, after fresh US economic indicators increased the chance of a new drop in interest rates by the Federal Reserve, reports AFP.

The Greenback was trading at 1.6800 German Marks against Wednesday's 1.6940 at 135.80 Yen (135), at 5.7210 French Francs (5.7615), at 0.5755 Pounds Sterling (0.5787) and at 1.4725 Swiss Francs (1.4832).

The Ounce of gold fell to 344.30 Dollars from late Wednesday's 345.40.

A trader with New York's Citibank attributed the Dollar's slide to a strong feeling that the Federal Reserve would soften its monetary policy. once it was announced that wholesale prices in August had risen a less-than-expected 0.2 per cent.

The trader said a half-point drop in the Fed's interest rates was expected Friday or early next week.

#### 25 pc species of plants face extinction

TOKYO, Sept 13: A quarter of about one million species of plants that exist no earth today are in serious risk of extinction in the next 20 to 30 years. according to a World Health Organization (WHO) statement released in Japan this week, reports Kyodo.

The statement announced at the end of the 'WHO' symposium on plants and health for all: scientific advancement, in Kobe also said 20,000 plants used in traditional medicine will become extinct by the turn of the century because of abuse by man.

it called for a better understanding of the importance of natural resources, including medicinal plants, in maintaining human health.

#### Muslim food festival in China

YINCHUAN, Sept 13: A Muslim food festival opened Wednesday in Yinchuan, capital of the Ningxia Hui autonomous region which is populated mainly by Muslims, reports Xinhua. More than 400 kinds of

Muslim food from more than 30 food manufacturers in Ningxia, Guangdong province and the Guangxi Zhunang autonomous region are available at the festival.

Wu Meizheng, Manager of the Ningxia Chamber of Commerce, said that the festival is designed to add to the fun of the current International Yellow River Cultural Festival" and to publicise Ningxia's unique tradition of Muslim food.

### China expects good harvest despite flood

BEIJING, Sept 13: China's grain harvest this year will be the second-largest in history despite heavy losses from floods, an official report predicted Friday, reports AP. The China Daily newspapers

quoted Vice Agriculture Minister Chen Yaobang as saying the harvest will be "millions of tons" less than 1990's record 433 million metric tons (478 million short tons). But he said it would surpass the second-largest harvest in history.

The size of the grain harvest is politically important in China because the Communist leadership uses it as an index of national prosperity. Oil and silk is expected to be higher than in 1990, while the tea and flax harvests are expected to drop. He gave no figures. The ministry said floods

damaged crops on 3.3 million hectares (8 million acres) of land in June through August, some of which remains under water.

# India gets \$635m IMF loan

The International Monetary Fund (IMF) approved a 635 million Dollar loan to India Thursday, to compensate for a drop in the country's international carnings and a rise in

Japanese bankrupt cos

liabilities all-time high

the cost of its oil imports, re-The loan will bring to 2.579 billion Dollars the total that India has drawn from the fund

pected to approve 2.2 billion Dollars more that Indias' draw over the next 18 months. But that money could be cut off if India does not keep promises to the fund on reducing government spending and apply austerity measures announced

In October the fund is ex-

Reuter adds: The new funding comes just one week before a consortium of countries meets in Paris under the auspices of the World Bank to agree on an economic aid

TOKYO, Sept 13: The Itabili-

tics of companies going

bankrupt in Japan soared to an

all-time high of 957 billion

Dollars in August, surpassing

the previous record in April, a

credit research company said

Tefkoko Databank Ltd said

the number of bankruptcies

involving liabilities of 10 mil-

lion Yen (74,000 Dollars) or

more also jumped to 895

cases, the second highest on

record after the 901 failures in

The liabilities in August

eclipsed the previous record of

855 billion Yen (6.3 billion

Dollars) in April and were also

up sharply from the figure of

125 billion Yen (925 million

Dollars) in the same month

flected the insolvencies of two

companies which ranked

among Japan's largest-ever

ABU DILABI, Sept 13: A ma-

jor Gulf investment company,

the first of its kind in the re-

gion, is being liquidated after

suffering large losses, local in-

vestment sources disclosed

The National Investment

and Securities Corporation

(NISCORP), a private venture

based in Abu Dhabi, lost more

than 120 million dollars in in-

vestment abroad, the sources

uidated. I don't think it will

stand on its feet again," one

NISCORP was set up in

1987 by a group of United Arab

Emirates (UAE) businessmen

with capital of more than 80

million dirhams (21.7 million

source said.

dollars).

"The company is being liq-

Thursday, reports AFP.

The latest figure largely re-

last year.

corporates.

Friday, reports AFP.

by the new government of

Prime Minister Narasimha Rao.

package for India, expected to be about six billion Dollars, for its fiscal year beginning

Consortium meet next week for more aid

Bank and IMF officials, speaking with reporters, said they expected that the package, which is about equal with last year, will be achieved.

Moreover, they expressed the belief that if India continues to keep its reform package on track, it will be able to work its way through one of its most difficult economic period

The world's most populous democracy, India has been faced with a short-term financing squeeze for much of this year as its past reliance on excessive budget deficits and heavy overseas borrowings have finally come to a head.

Moreover, its economy has been hit by the Gulf war since fewer of its nationals were working in the reign and sending home money to their families. At the same time, India

Egawa, an upmarket Osaka Restaurant operated by wait-

ress turned- investor Nut

Onoue who has been arrested

on forgery charges, was de-

clared insolvent August 22. Its

estimated liabilities of 410 bil-

ion Yen (three billion Dollars)

made it the second-biggest

bankruptcy in Japanese his-

developer Maruko Ine was de-

clared insolvent with esti-

mated liabilities of 286 billion

Yen (2.1 billion Dollars) in the

country's fifth-largest corpo-

the ninth consecutive month

that both bankruptcies and

size of liabilities were up from

The speculative real estate

industry has been particularly

vulnerable following last year's

slump in Japanese stock

prices and curbs on banks

It was the first Gulf venture

to invest local private funds

abroad. Most investors through

NISCORP are wealthy Gulf

businessmen, but the sources

said they numbered no more

funds were based in Japan and

the West and invested in

stocks, currency and gold.

They said the bulk of the

The sources said misman-

agement and miscalculation

were to blame for the losses,

which far surpassed the com-

The sources said NISCORP's

overscas investments were es-

timated at more than 300 mil-

lion dollars and their return

was higher than that from

lending to the sector.

Major investment co

liquidated in UAE

than 200.

pany's capital.

bank deposits.

The August figures marked

rate failure.

one year earlier.

One week later, Real Estate

mid- October. That loan, which is exextend for about 18 months, and be used to support widespread economic reforms as India struggles to shift from

> a government- led economy to a market- driven one. borrow billions of Dollars more from the IMF although it would have to carry out even tougher economic reforms in

has found its exports in less

demand because of the eco-

tive board would consider a 2.2

billion Dollar stand-by loan for

India shortly after IMF and

World Bank annual meeting in

IMF officials said the execu-

nomic slowdown in the West.

AFP adds: The Consortium for India, which groups most of the industrialized countries World Bank official said.

rent fiscal period, compared to 5.0 per cent last year. In three to five years, growth should hit rates of 5.0 per cent of 6.0 per cent a year, as they did during the 1980s.

## borrower of World Bank

WASHINGTON, Sept 13: reports PTI.

Attila Karaosmanoglu told a press briefing at the Bank on Wednesday that India's cumulative borrowing totals over 37 billion dollars, 37,324.3 million to be exact, as of June 30.

No other country in the world comes anywhere near that figure.

Mexico is placed second, with its World Bank loans totalling 19,245.6 million dollars (middle income countries are not allowed IDA eredits), followed by Brazil (18,936.6 million dollars).

well that it gets only World Bank loans and not IDA credits. Indonesia, which at one time was far behind India in GNP per capita as well as it other indices, achieved a per capita GNP of 500 dollars in 1989 against India's 340. Indonesia's growth rate drew special praise from World Bank officials at the briefing.

1990, Indonesia borrowed from the World Bank 1,637.5 million dollars. It got nothing from IDA. Its cumulative borrowing from the World Bank/IDA are 17.398.7 million dollars —16,466.9 million from the World Bank and 931.8 million dollars from IDA

## China's gold output continues to grow

BEIJING, Sept 13: China's gold production kept growing last month despite the recent disastrous floods in vast areas of the country, an official with the State Gold Administration said, reports Xinhua.

In August, gold output increased by 19.7 per cent from the same period last year, and this was the highest growth so far this year, China Daily reported today.

The momentous increase had pushed the country's January-August gold output to a rise of 11.3 per cent over the same period last year. That increase in one percentage point higher than the average 10.3 per cent growth rate in the seventh five-year plan period (1986-90), the official said.

It also helped China's gold industry to fulfill 69.7 per cent

of its planned annual production target by the end of

Meanwhile, the flood-hit gold producers in Heilong Jiang, Jilin and Anhul provinces tried their best in rapid restoration of gold production and brought floodcaused losses to the minimum, the official said.

Li Guixian, President of the People's Bank of China and State Councillor, said recently that gold reserves are a major indicator of China's economic

Strengthening gold reserves would help the country not only to enhance its reputation in world economic activitics, but also to balance the country's international payments, Li said.

#### Japanese economy enters downturn, say some ruling Liberal Business executives are also "If the current trend contakes a similar view, after steel

TOKYO, Sept 13: The nation's economy is now at a "delicate stage," with consumer spending and corporate capital outlays running out of steam, economists and business executives say, challenging the governments latest upbeat report on the state of the economy, reports Kyodo.

The Economic Planning Agency reported that the economy has continued its expansion into the 57th successive month in August to tie the postwar record growth between November 1965 and

July 1970. But economists and even

Democratic Party officials took issue with the government judgment, describing it as overly optimistic. Tokai Research and

Consulting Inc. affiliated with Tokai Bank, said more than half of corporations it surveyed predicted an economic slowdown will start within this

An economist at the Fuji Research Institute said, "given recent economic indicators. including the leading index. the economy has already entered a downturn, in the April-June quarter."

cautious about the outlook for economic growth, citing a set of economic data suggesting that the pace of growth in corporate capital spending and personal consumption is on the wane. The latest signal came with the release of weak retail sales

figures for July, showing sales at department stores, supermarkets, and other major retailers registering their slowest growth in month. Moreover, automakers, major players in corporate capital spending, are also moving to-

ward scaling down their

spending plans amid slowing

Nissan Motor Co has disclosed plans to cut its spending on plant and equipment in fiscal 1992 which starts next Explaining spending reduc-

tion, Nissan Vice President Atsushi Muramatsu noted that the economy is now at a "delicate stage." His cautious view came in

the wake of recent bearish data on domestic auto salés, which had fallen below yearcarlier levels for 11 months in a row until July.

The steel industry, which provides sheet steel for autos,

first time in two and a half years owing to the spreading hesitancy among economically sensitive small and medium sized companies to build plants and buildings. "The light is turning am-

production in July fell for the

ber," said an official at one major steelmaker, citing the highest inventory level for June since 1979 as signaling a weakening demand for steel. Yoichi Shimogaichi, Senior

Managing Director at NKK Corp, a major steelmaker, is pessimistic about the situation surrounding the steel indus-

tinues with a bit lower production levels, we could say a recession has appeared," he said

Pointing to the increasingly bearish economic outlook, economists predict the Bank of Japan will be forced to cut its official discount rate as early as September in order to prop up the economy, although BOJ officials have repeatedly denied they have such a plan.

BOJ Governor Yasushi Mieno has told his most recent press conference that the central bank is not considering a rate cut following the July 1 reduction by half a percentage point to 5.5 per cent.

That would allow India to

India may also seek to borrow some money from the IMF's Enhanced Structural Adjustment Facility (ESAF) next year, but this is far from

and several international organizations was expected to agree at a meeting next week to lend India about six billion Dollars this year, a senior According to the World Bank, India's Growth should fall between 2.5 per cent and 3.5 per cent during the cur-

# India biggest

India is by far the biggest borrower from the World Bank/IDA — cumulatively as well as in annual borrowings, World Bank Vice President

Indonesia is now doing so

In the year ended June 30,

#### India revises Rupee upward

BOMBAY, Sept 13: The Reserve Bank of India (RBI) here today announced an up ward revision of the Rupce by 0.45 per cent in relation to the Pound Sterling, making the British unit cheaper by twenty paise, reports PTI.

The new middle rate now works out to Rs 44.65 per Sterling as against Rs 44.85

previously. The new buying and selling rates for spot delivery are 2.2452 and 2.2340 Sterling per Rs 100, corresponding to Rs 44.54 and Rs 44.76 per Sterling respectively.

The Rupee-Sterling rate was last adjusted on Sept 10, when the Rupee was depreciated by 0.56 per cent.

#### IDB grants \$ 200m loans to 11

member countries RIYADH, Sept 13: The

Islamic Saudi-based Development Bank has granted 199.558 million Dollars in loans for projects and trade in 11' member countries, including Indonesia and Pakistan, reports AFP. According to an IDB state-

sia will receive 10 million Dollars for the construction of a hospital and another eight million Dollars for importing fertilizers. Loans have also been granted to Bangladesh, Burkina Faso, Iran, Jordan, Mali,

Mauritania, Morocco, Tunisia

ment here Thursday, Indone-

and Turkey. The 43-member IDB was set up in 1973.