



WAR ON WARMING: Environmental organisation Greenpeace has hung a huge banner over the OPEC headquarters at Vienna on April 14 in demonstration against green house effect and global warming. —AFP photo

## E Asian trade bloc to be 2nd largest

LANGKAWI ISLAND (Malaysia), Apr 15 : Malaysia's proposed East Asian Economic Caucus (EAEC) would be the world's second-largest trading bloc by the year 2000 after the European Community (EC), a senior official said here, reports AFP.

Bernama news agency quoted Ali Abdul Hassan Sulaiman, Director General of the Economic Planning unit in the Prime Minister's department, as saying here the EAEC would overtake the North American Free Trade Area (NAFTA) as the next-largest bloc after the EC by the end of the decade.

All, speaking at a two-day conference on regional economic cooperation that ended Sunday, said the EAEC could complement the Asia Pacific Economic Cooperation (APEC) forum and strengthen cooperation in the Association of South East Asian Nations (ASEAN).

ASEAN comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, while APEC groups those countries with their major trading partners — Australia, Canada, Japan, South Korea, New Zealand and the United States.

"Economic reforms which are underway in Indochina will make the region more integrated under the EAEC," Ali said.

Malaysian Prime Minister Mahathir Mohamad last year proposed forming the EAEC from APEC's Asian members — dropping Australia, Canada, New Zealand and the United States. Washington has vehemently opposed the idea. An ASEAN summit meeting in January agreed to study the proposal further.

Another despatch from Singapore adds: The decision by the Association of Southeast Asian Nations (ASEAN) to establish a free trade area in 15 years was a response to the challenge of similar groupings being formed in North America and Europe. Singapore Foreign Minister Wong Kan Seng said Monday.

The move by the summit of ASEAN leaders in Singapore in January to form an ASEAN Free Trade Area (AFTA) was a significant development. Wong told the Annual General Meeting Luncheon of the Singapore International Chamber of Commerce, at which he was guest of honour.

He said that even if the North American Free Trade Area (NAFTA) and the single European market were to remain open, they would still pose a decisive challenge for the rest of the world because they would serve as magnets for trade and investors and make other areas seem less attractive.

"AFTA is intended to keep ASEAN attractive and competitive for trade and investments no matter what happens in Europe and America. It is a major political step forward and a prudent investment against an uncertain future," Wong said.

Wong said ASEAN must now find the political will to sustain the momentum to follow through AFTA even more quickly and in more areas than had been agreed.

"There must be short-term sacrifice for long-term gain," he said.

The Foreign Minister also said that major changes elsewhere in South East Asia such as the Cambodia peace agreement and the economic restructuring of Vietnam were creating new opportunities.

Wong said Singapore's economic relations with Vietnam have grown since the lifting of an investment ban last November.

He also cautioned that whatever happens in China will have an impact on Singapore and the region.

"China has great economic potential. Southern China is already one of the growth nodes of the region. A China that is peacefully integrated into the region can also complement Japan, South Korea and the ASEAN countries in contributing to peace and stability in the Asia Pacific," Wong said.

KARACHI, Apr 15 : The Pakistani government is committed to eliminating interest from the country's banking system and economy. Finance Minister Sartaj Aziz said in a speech published Tuesday, reports AFP.

Speaking to a seminar on interest-free banking in Islamabad, Aziz said the government's aim was to establish a socio-economic system based on Islamic tenets, which prohibit the charging of interest.

The Finance Minister said a social milieu had to be created where both lenders and borrowers would not suffer, without elaborating how this would be achieved.

Last November, Pakistan's

Federal Shariah (Islamic) Court prohibited all interest-based transactions, giving the government until June 30 to implement the decision in the country's banking system and other financial dealings.

Some banks have appealed to the Supreme Court against the decision, saying its implementation would trigger a financial and business crisis and no practical alternatives had been suggested by Islamic experts.

Aziz said a commission on the Islamisation of the economy, headed by the country's state bank Governor, was working day and night to find an acceptable and practical alternative system to replace

existing interest-based banking.

Sardar Assef Ahmed Ali, Minister of State for Economic Affairs, has repeatedly warned that the complete elimination of interest would paralyse the banking system and jeopardize the national economy.

Without interest, no international agency would be ready to advance loans to Pakistan, which has to borrow about two billion dollars a year for its development and balance of payments needs, he has said.

The Islamabad banking seminar suggested that eliminating interest from foreign transactions was particularly difficult and therefore a doctrine of necessity could be in-

voked to protect interest-bearing loans on a "selective and restricted basis."

**Invest \$ 100m**

Another message adds: The US firm Union Texas Petroleum (UTP) will invest more than 100 million dollars in oil and gas exploration and production in Pakistan's Sindh province, a newspaper Tuesday quoted the company's chairman as saying.

A Clark Johnson told the Business Recorder that 29 out of 62 wells drilled by UTP had been successful. This success ratio of nearly 50 per cent was remarkable compared with the international rate of 10 per

cent, he said. Pakistan produces about 65,000 barrels of oil per day, while its daily requirements are estimated at 150,000 barrels, met largely through imports from the gulf region.

**Joint investment firm with UAE**

The United Arab Emirates (UAE) and Pakistan have decided to set up a joint investment company, an official statement said Tuesday.

The decision was made by a joint economic commission which met here for two days to discuss ways to enhance bilateral economic and trade cooperation.

## Recovery needs more cuts in arms costs : ADB

MANILA, Apr 15 : The United States and other big powers should help spur global economic recovery through bigger cuts in military spending following the end of the Cold War, the Asian Development Bank (ADB) said, reports Reuters.

The Manila-based regional bank forecast that the world economy would recover more slowly than expected this year because of the slowdown in the Japanese and German economies, but would show stronger growth next year.

It said in a report that bigger arms cuts would help reduce global interest rates and make more cash available for major infrastructure spending and debt relief.

"The United States and other industrialised nations have not nearly exhausted the potential for reductions in military spending," the Bank said in its 1992 Asian Development Outlook, which forecasts regional and global economic trends.

"Experts suggest that over the course of the next five years, the United States alone could easily generate an additional dollar 200 billion saving out of the military budget."

The 52-member Bank, which has helped oversee the growth of one of the world's most dynamic economic regions, said it was now clear that "a quick and forceful rebound of the world economy is not at all likely."

Recession in the United States, Canada, Australia and Britain, coupled with a slowdown in Japan and Germany, would limit recovery this year to a 1.8 per cent rise in real Gross National Product, against the zero growth recorded in 1991.

This could pick up to 3.1 per cent in 1993, the Bank said, although it expressed doubts this would be achieved.

Recent forecasts by the International Monetary Fund (IMF) and the 24-member Organisation for Economic Cooperation and Development (OECD) have also predicted a slower than expected recovery this year, followed by stronger growth in 1993.

The ADB said fastest eco-

nomical growth over the next few years would be in developing Asian countries, the Middle East and parts of Latin America. The outlook for Africa remained poor.

The US recovery would be much slower than normal.

Layoffs had been much more widespread than in earlier, deeper recessions, the Bank said.

Japanese growth was expected to fall to 2.5 per cent in 1992 from 4.5 per cent in 1991 but pick up again to a 3.5 per cent rise in Gross National Product next year.

Asian growth would accelerate to an average 6.5 per cent this year from 5.8 per cent in 1991, rising to 6.7 per cent in 1993, but rates in the

Middle East could be even faster.

The report held out little hope for the countries of the former Soviet Union and Eastern Europe, where the economies and output are still contracting and inflation is rising rapidly.

The ADB said the immediate impact of arms cuts would be limited "as reduced military

spending will inevitably involve significant changes in industrial structures whether in the United States, other western industrialised countries, Eastern Europe or the Commonwealth of Independent States."

## IFAD talks end in dispute over voting rights

DOHA, Apr 15 : A two-day meeting of the International Fund for Agricultural Development (IFAD) ended here Tuesday in a dispute over voting rights, reports AFP.

IFAD President Idriass, Al-Jazairi said delegates from 46 countries acknowledged their disagreements and agreed to meet again at Rome in July to continue consultations.

A source close to the meeting said representatives from industrialised countries had demanded that the scope of voting rights in IFAD bodies be linked to the size of the contributions of member states.

At present three groups of members industrialised countries, oil producers and developing nations each controls 600 votes in IFAD bodies and committees.

An inter-governmental group has been trying to reconcile conflicting positions of the three groups on how much weight their votes should carry.

The meeting here had been planned to raise 600 to 650 million dollars for a three-year programme to finance IFAD projects in rural areas of underdeveloped countries.

## Union Carbide will sell assets to treat gas victims

DANBURY (Conn), Apr 15 : Union Carbide Corp on Tuesday said it will sell its holdings in India to raise up to 17 million dollars for a hospital in Bhopal, India, to treat victims of the world's deadliest industrial accident, reports AP.

At least 4,037 people were killed in the 1984 disaster when poisonous gas leaked from a pesticide plant run by an Indian subsidiary of Union Carbide. Another 20,000 people were injured.

The company said it will sell its 50.9 per cent stake in Union Carbide India Ltd. (UCIL), the largest maker of dry-cell batteries in India.

Union Carbide Chairman Robert D Kennedy said establishing the trust and selling the company's stake in UCIL "is the most effective way to achieve several important goals that will help the people in UCIL and Bhopal."

The trust fund will provide money for a hospital treating Bhopal victims over several years. The fund was established March 20 and is based in London.

The fund is in addition to the 470 million dollar settlement Union Carbide paid in February 1989 for the tragedy under an Indian Supreme Court-supervised settlement. The Indian government had initially sued the company for three billion dollars.

Kennedy said the company wants to sell the battery subsidiary to a company, "that is in a better position than we to provide the battery business."

## OECD wants to expand talks with Asian nations

TOKYO, Apr 15 : The Organisation of Economic Cooperation and Development (OECD) wants to expand its four-year-old dialogue with Asian economies, OECD Secretary General Jean-Claude Paye said Tuesday, reports AFP.

Paye told a news conference in Tokyo that ministers from the 24 members of the OECD were expected to ask for a "further deepening" of the dialogue at their annual meeting in Paris next month.

"These economies are more

and more similar to those in the OECD area," he said, referring to the group of so-called "dynamic" Asian economies comprising South Korea, Taiwan, Hong Kong, Singapore, Malaysia and Thailand.

Paye said some of the six were "cautious" when the OECD first proposed the dialogue, fearing the more developed economies would use it to exert pressures on them in areas such as revaluing their currencies or curbing their exports.

## Business briefs

**Yugoslav dinar devalued :** The Yugoslav government, struggling to curb soaring inflation, devalued the dinar by 57.5 per cent from Monday, the Belgrade-based Tanjug news agency said on Sunday, reports Reuters from Belgrade.

The new official rate will be 200 dinar to the German mark compared with 85 dinar. The move followed a 26 per cent devaluation of the dinar on March 1.

**Iraq speeds up rebuilding oil plants :** Iraq, since the ceasefire of the Gulf War in March last year, has been speeding up the reconstruction of its oil refineries and installations in the south, which were badly damaged or totally destroyed by allied bombing during the war, reports Xinhua from Baghdad.

According to a statement issued by the Oil Ministry recently, Iraq's southern oil company established specialized teams and committees comprising technicians and engineers soon after the ceasefire in February 1991, and sent them to repair the damaged installations.

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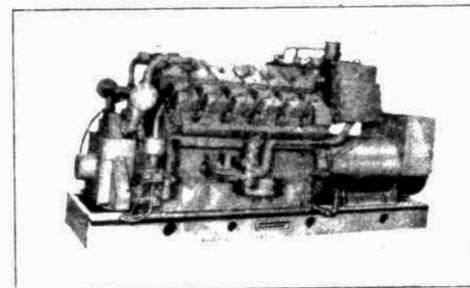
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