

BRIEFS

Russia to simplify land acquisition

MOSCOW, July 25: A decree designed to simplify the process of acquiring land will be signed very soon under Russia's agricultural reforms. Vice-President Alexander Rutskoi told a new conference. Rutskoi said a decree had been prepared on setting up land banks that would trade so-called land certificates, giving the title to land and saying what it should be used for, reports Reuter.

UN denies rumors of Iraqi request

UNITED NATIONS, July 25: A UN spokeswoman said Iraq had made no request for a meeting with UN officials for talks about the possible sale of Iraqi oil. She had been asked about rumors circulating in the oil market. Iraq earlier this month rejected a scheme, under discussion with the United Nations for months, that would have permitted the sale of 1.6 billion dollar of oil, reports Reuter.

No final draft on trade zone expected

MEXICO CITY, July 25: Chief negotiators of a proposed North American free trade pact open two days of talks here Saturday, but say rifts remain and no final draft is expected during their two-day gathering. The Mexico City round marks the sixth time US Trade Representative Carla Hills, Mexican Commerce Secretary Jaime Serra Puche and Canadian Trade Minister Michael Wilson will have met since talks began 13 months ago, reports AP.

New alliance likely in Russia

MOSCOW, July 25: Private businessmen and the heads of state owned industry said they would form an alliance to push for changes in the Russian government's privatisation plans. The formation of the alliance is likely to increase pressure on President Boris Yeltsin to change the reform plan worked out by Acting Prime Minister Yegor Gaidar and approved by the IMF, reports Reuter.

Three new oil fields discovered in Yemen

SANAA, July 25: The Canadian Occidental Oil Co has announced discovery of three new fields in its Massala concession in southern Yemen, a company official said Friday. The official, who spoke on condition he not be named, said the new finds are "economical" but that they do not add "appreciably" to the company's reserve estimate of 235 million barrels. Canadian Occidental has now completed 25 exploration and appraisal wells, 18 of which are said to be successful, reports AP.

Foreign tourists spent \$16.8b in US

WASHINGTON, July 25: Foreigners spent 16.8 billion dollar more on travel and tourism in the United States than Americans spent on foreign travel, the Commerce Department reported Friday. Japanese visitors were the biggest spenders, it said, 3.3 billion of them contributing 12.6 billion dollar 3,818 dollar per visitor. The rebound in international travel to the United States after the Gulf War has exceeded the most optimistic expectations, said Commerce Secretary Barbara Hackman Franklin, reports AP.

Durable goods orders rise in US

WASHINGTON, July 25: Orders to US factories for durable goods rose 2.3 per cent in June, the government said Friday, but analysts contended the advance revealed little manufacturing strength. "The June increase is barely enough to compensate for the decline in May," said John Albertine, head of a Washington economic forecasting firm. "The truth is the recovery is just trading water," reports AP.

Indian bank earns profit of Rs 175 cr

PATNA, July 25: The State Bank of India earned a net profit of Rs 175.05 crore during 1991-92 after making all necessary provisions, including a provision of Rs 797.52 crore in respect of certain securities transactions. Announcing this at a news conference here Friday on the occasion of SBI's 37th annual General Meeting, the SBI Managing Director, V Mahadevan, said that during the period, the bank's deposits reached a new high of Rs 60,192 crore while advances touched, Rs 44,019 crore, reports PTI.

Why International Monetary Fund and World Bank need reforming

In its 1992 Human Development Report, the United Nations Development Programme (UNDP) asks the crucial question: 'In a period of rapid economic globalisation, who will protect the interest of the poor? And the short answer to that is, no one.'

The devastating riots in Los Angeles illustrate the problem admirably. Thirty years after the Watts riots, also in Los Angeles which arguably has become the most ghettoed city in the world with every kind of ethnic minority represented, it is clear that the poor have been marginalised. Moreover, they will remain marginalised unless and until a conflagration, like these riots, draws temporary attention to their plight.

On past showing the attention that will now be paid to the marginalised poor in the US will be just that — temporary. Now, if the richest, most powerful nation on earth is content to marginalise and then ignore its own poor, there is little chance that it will behave differently towards the world's poor of Africa and Asia and Latin America and, to date, there is no evidence that it has any intention of doing so. The same may be said of the other rich advanced nations.

Thus the danger has arisen — made all the more acute by the end of the Cold War and the game of balance in the South which the two sides played — that we are now entering an era when all the poor will be marginalised unless they are seen to be of use to the rich North. Their only hope, therefore, must lie with international institutions if these have both the capacity and the will to act on behalf of

the poor despite the pressures of the rich.

Essentially, this means the United Nations and its agencies, the World Bank and the International Monetary Fund (IMF) and, in financial terms, it means the latter two agencies.

Such institutions ought to be the champions of the poor, not the instruments of the rich. First, it is necessary to ask just what these institutions have achieved to date on behalf of the poor. And second, what they might achieve in the future.

The global nature of international money markets now transcends the nation-state and its power to solve economic problems, and the capacity of the major economies (the Group of Seven — G-7) to manipulate world market pays little attention to the requirements of the developing countries. For more than a decade (throughout the 1980s) the world has been treated to repeated analyses and forecasts of the deteriorating state of the world's least developed countries which the current Human Development Report sets out in stark detail.

We have the knowledge; but what will actually spark off a response large enough to solve some of the problems? The rich pay lip-service to the concept of single world but are conspicuous only by their indifference when it comes to meaningful action.

The two bodies which ought to be both the guardians and the promoters of the poor countries of the South are the World Bank and the IMF. But not only have they failed to act successfully on behalf of the

world's weakest and poorest, they have instead become the instruments of global economic control by the rich. This situation needs to be reversed.

During the brief, heady days of OPEC (Organisation of Petroleum Exporting Countries) power (1973-80) there was much talk of creating a new International Economic Order (NIEO) but this was effectively killed by the rich nations.

The natural corollary to this

The IMF and the World Bank could be motors for change in the developing world if they shook off the selfish controls of the major rich nations. But the writer sees no sign of that happening.

tions (G-7) for, from their point of view, the creation of a NIEO was a contradiction in terms and it could only come into being at the expense of the existing order which they controlled for their advantage. It was political nonsense for the Third World (as it then was) to imagine the rich West would acquiesce in a NIEO that spelt the end of its control.

The question now is whether anything has changed. Can a revamped IMF or World Bank seriously alter world economic patterns of control?

The IMF no longer performs the functions for which it was created — to maintain monetary stability with the burden of adjustments shared between surplus and deficit countries. This is because it cannot control or exert authority over the rich industrial nations. These have the controlling votes and see the IMF as their instrument and not their mentor as it imposes their

(which massive assistance to the countries of the former USSR will not alter) is to give to it the function of economic policeman for the West, providing aid to poor indebted countries only after they have implemented reforms whose end result is to deprive them of even the limited room they previously had in which to manoeuvre. And though the IMF provided major extra funds during the years 1980-88 in response to the crisis, the net result of that is a current contra-flow of funds from the South back to the IMF of 6.3 billion dollar a year (700 million dollar of these from the poorest countries of sub-Saharan Africa). IMF conditionalities are monetarist and deflationary; they force governments to reduce imports by curtailing demand and so they stifle economic growth.

The World Bank was created to borrow from the rich to lend to the poor in order to

finance sound development projects. In real terms it has done little wealth recycling and in 1990/91, for example, it withdrew 500 million dollar from the poor countries. Moreover, the Bank has not offered developing countries protection from the harsh terms of the international money markets as it should have done. The World Bank lends 'in sympathy' with world market rates and through the International Development Association (IDA) provides interest-free loans, it only offers these to countries with a per capita income below 700 million dollar.

What kind of reforms would make any difference and world they be permitted anyway?

A major reform for the IMF (an original Keynes idea) would be to impose a penalty on surplus countries equivalent to one per cent of surplus a month as a means of forcing them to adjust and buy more from deficit countries with the added benefit of increasing world trade volumes. The proposal at once raises startling issues.

Japan is the world's largest surplus country. Could the IMF persuade and if necessary force Japan to accept such a measure? If it could, there would be a chance to redress the global balance.

It should also be the task of the IMF to help the poor countries build up their foreign exchange reserves. The rich can always borrow, the poor are not seen as credit-worthy.

Then there is the suggestion in the UNDP report that the IMF should act as the world's central bank in order

to provide liquidity — all round — in hard times. And most far-reaching would be moves towards the creation of a single global currency.

Any or all these moves could begin a transformation of the world economic rules which at present work so disastrously against the needs of the poorest.

Other suggestions are advanced for the reform of the World Bank. It could, for example, set up an investment trust to sell bonds to surplus nations and then lend the money to the developing countries; while the newly industrialised countries (NICs) could borrow at commercial rates the low-income countries would be given interest subsidies.

A ground rule ought to be that no country with a per capita income below 700 dollar should have to borrow at commercial rates. This is not the case at present and, for example, throughout the 1980s India with a per capita income of only 340 dollar was forced to borrow at full commercial rates so that its debts rose from five billion dollar in 1980 to 70 billion dollar in 1991 with further commensurate strains upon the economy from servicing such a huge sum.

In fact, these or any other reforms must depend upon the votes of members. The voting system gives the largest numbers of votes to the biggest financial contributors. This means the US followed by the major developed economies which, in essence, means the G-7 control the system. The US, moreover, is reluctant,

on the one hand, to increase its contributions to make more money for lending available; and it is equally reluctant to allow others (eg Japan) to increase their contributions since this would diminish US voting power and enhance theirs.

The focus of both the World Bank and the IMF (although some signs of change are apparent) has always been on means of development — that is, growth of Gross National Product (GNP), rather than programmes to tackle poverty. What is essential is to make poor people the motor of growth and development (as well as their ends) and this can only be achieved if, first, their absolute poverty is eradicated.

Thus, both the IMF and the World Bank should be more sensitive to recipient patterns of social spending and less ready to prescribe SAPs that have been devised in Western (rich nation) terms. Both the IMF and the World Bank could become motors for real change in the developing world but only if they shake off the overtly selfish control of the major economic nations.

That goes to the heart of this and many other problems concerning relations between North and South and the answer lies with the political decisions of the power brokers in the North, which really means the G-7, for only they can give the IMF and the World Bank the real freedom to act on behalf of the poor.

At present, unfortunately, there is little sign that the rich nations have any such intention in mind.

BCCI depositors to press for new deal

AMMAN, July 25: A representative for depositors with the failed Bank of Credit and Commerce International (BCCI) said on Friday he saw enough support for a new compensation deal to force changes in a plan held up in court this week, reports Reuter.

Adil, Elias, a member of the British BCCI creditor committee, said after meeting depositors in Cairo and Amman that creditors strongly back efforts to revise a scheme approved by majority shareholders which was held up in a Luxembourg court this week.

The court ruled on Monday

that creditors of BCCI, which collapsed after allegations of massive fraud, must be consulted over the compensation plan worked out over seven months of negotiation between majority shareholder Abu Dhabi and liquidator Touche Ross.

The plan would give creditors between 30 and 40 per cent of lost deposits from liquidation proceeds. It had previously been approved by courts in England and the Cayman Islands.

"Not a single depositor has come forward to say yes to this agreement, not even one," Elias, also head of the BCCI

Depositors' Protection Association, told Reuters after information meetings in Jordan and Egypt.

"There is tremendous support for a better deal," he said, adding that other association members were seeing depositors around the world and major creditors would coordinate their actions in the next few weeks.

The Luxembourg judge has ordered that all known unsecured creditors should be consulted by the Bank's liquidators between now and October 1 before a new hearing on October 7.

Financial sources said ma-

majority opposition to the plan could threaten the deal.

Elias said 50 depositors in Jordan, about one-third of the total, who hold about 100 million dollar in BCCI deposits attended an information meeting on Friday and gave him power of attorney to reject the current deal.

He said he hopes to raise compensation to 75 per cent, payable immediately.

Under the current plan Abu Dhabi would inject 1.7 billion US dollar to help pay back 30 to 40 per cent of creditors' losses in return for depositors giving up legal claims against the emirate.

ASEAN warned of bid to write-off loans

MANILA, July 25: Japan warned Southeast Asian states today against pushing for a write-off of foreign debts, saying it would alienate them from the international financial community, reports Reuter.

The warning was in response to an endorsement by the Association of Southeast Asian Nations (ASEAN) of a call for a write-off of Third World debt.

"If this kind of write-off would occur, that would discredit the capacity of the country concerned and inevitably lead to the fact that

donors would be reluctant to bring in new money," said Seiji Morimoto, Japanese Foreign Office spokesman.

Morimoto told reporters Japanese Vice-Premier for parliament Koji Kakizawa have the warning at a meeting with six ASEAN foreign ministers.

"We stated this principle in the meeting this morning. We did not get a reply," he said at a press briefing.

In a joint communiqué at the end of a two-day meeting on Wednesday, ASEAN ministers said there was need for a coordinated approach to solve the global debt problem.

India's trade deficit soars

NEW DELHI, July 25: India's trade deficit for April and May of 1992 soared to 944.7 million dollar from 118.9 million in the same two-month period last year, the Press Trust of India (PTI) said Friday, according to AFP.

PTI said the jump reflected the removal of the import squeeze that prevailed for most of 1991 and the country tried to pull out of major financial crisis.

Exports in dollar terms in April and May amounted to 2.66 billion dollar and imports to 3.61 billion, the agency said citing official figures.

Meet to promote Islamic banking next week

KUALA LUMPUR, July 25: Islamic central bankers will meet here next week to try to strengthen the fledgling Islamic banking system, reports Reuter.

Bankers from 13 countries attending the July 27-29 meeting will also study new instruments such as futures and options to add depth to the Islamic financial system, said officials of Malaysia's central bank, Bank Negara.

"One has to be innovating in order to promote Islamic banking," said Nor Mohamed Yakcop, a Bank Negara adviser. "We have to move forward as we have a lot of catching up to do."

"Some people say futures trading is not allowed in

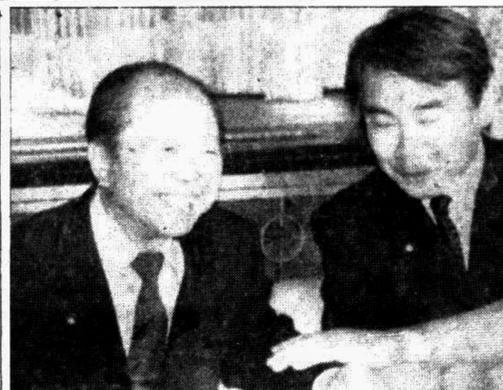
Islam," Nor Mohamed told reporters. "We must study why it is not permitted. We shouldn't take it for granted."

"But we still believe Islamic financial system is as viable as conventional banking," he said.

The expert group was set up in 1980 by governors of central banks and monetary authorities of some Islamic nations.

The group comprises senior central bankers and officials of the international Association of Islamic Banks and the organisation of Islamic Conference (OIC).

Islamic banking, which prohibits interest but allows profit-sharing, was spearheaded by Iran and Pakistan in the early 1970s.



TOKYO: Japanese Prime Minister Kiichi Miyazawa (R) smiles as he chats with Finance Minister Tsutomu Hata (L) prior to an emergency meeting to discuss the current malaise in the Japanese stock market July 24 as stock prices slid to a new six-year low at 15,497.97 yen. — UNB/AFP photo

UN sanctions destroying economy of Yugoslavia

BELGRADE, July 25: Serbia's Prime Minister said on Friday UN economic sanctions imposed on rump Yugoslavia last May were destroying its economy, reports Reuter.

"These sanctions are destroying the economic issue of our republics," Prime Minister Radomir Bozovic told a news conference. He was referring to Serbia and Montenegro, the two republics which make up the new Yugoslavia.

"Unjust sanctions" accounted for around 15 per cent of a 35 per cent drop in production in rump Yugoslavia, he said.

Serbia, a republic of almost 10 million people, and tiny Montenegro, with 615,000 people, form the new Yugo-

slavia. It was constituted in April and failed to win wide international recognition.

Blaming Serbia for fanning ethnic warfare in breakaway republics of the old Yugoslavia, the United Nations in May imposed sanctions that provided for an end to trade with Yugoslavia, a freeze on assets held abroad and an end to commercial flights to Belgrade and other cities in the territory.

To cushion the effects of sanctions, the Serbian parliament earlier this month adopted a law that gave the government tight control over the economy.

The government, dominated by former communists, was given powers to control consumption.

Dollar rises against major currencies

NEW YORK, July 25: The American dollar rose against major currencies Friday on news of stronger US durable goods orders, heightened tensions with Iraq and indications the German discount rate might drop, reports AP.

Gold prices rose on the New York Commodity Exchange, up 70 cent from Thursday's close, to 359.30 dollar. Republic National Bank on New York quoted a late bid of 359.50 dollar up 1.50 dollar over Thursday's close.

Traders spent the day reacting to the news Friday, said Jack Stapleton, Vice President and senior corporate dealer at Standard Chartered Bank PLC.

Oil prices move up amid fear of US attack on Baghdad

LONDON, July 25: The possibility of military action by the United States and its allies against Iraq, unless Baghdad admits UN observers to its Agriculture Ministry, pushed oil prices up this week, reports AP.

The United States, Britain and France were said Friday to be considering issuing an ultimatum saying that Iraq's failure to bow to UN demands would result in suspension of the cease-fire that ended the Gulf War last year.

Meanwhile, the turmoil on equity and currency markets pushed gold prices above the 360-dollar-per-ounce level during the week, for the first time since January, as investors used the yellow metal as an hedge against their losses elsewhere. However, improved levels could not be maintained and gold slipped back below 360 dollar Friday as the dollar recovered.

Platinum prices were briefly shaken by news that a Japanese institute was working on a palladium-based catalytic converter, but later rallied as efforts to avert a national strike at the beginning of August in South Africa failed.

On the London Metal Exchange (LME), technical factors pushed copper, lead and zinc prices up. There were rumours that producers are trying to manipulate the zinc market to keep LME prices

which serve as a reference for contracts signed all over the world — above their break — even level of 1,300 dollar per tonne.

Among softs, cocoa prices improved sharply as dry weather persisted in West Africa and as strikes in Ghana threatened to disrupt exports. Traders were also hoping for progress at the Geneva talks on a new international cocoa agreement.

Gold: Easter after firmer. Gold prices rose Thursday above the 360-dollar per ounce mark for the first time since January, supported by uncertainties on currency and stock markets.

The buying interest is not related to the possible use of force against Iraq. Rather it stems from the instability of the world financial system," analysts at trade house GNI said, adding that "the security of gold investment becomes attractive in these conditions."

But resistance was seen at 361 dollar, with Australian and South African producers cited as potential sellers, and the gold price quickly retreated below 360 again.

Platinum: Firmer after sharp falls. Platinum prices dived Tuesday, losing 11 dollar or 2.8 per cent on reports that a Japanese institute was working on a palladium-based catalytic converter. Automobile catalytic converters currently

generate about 40 per cent of platinum's demand.

Silver: Quiet. Silver prices slowly rallied and moved above the four-dollar-per-ounce mark on Thursday, supported by gold and platinum's strength. However, they eased back below four dollar Friday, following a slight retreat by other precious metals.

Aluminium: Firmer. Three-month prices reached their highest level for two months, following the upward trend in other LME base metals, before gains were reduced slightly by profit-taking.

Nickel: Quiet. Nickel prices moved in a narrow range, easing early in the week but then recovering the lost ground.

Analysts at metal group Bilbiliton-Enthoven Metals said there would be no marked recovery in prices before next year. They forecast an average price of 3.40 dollar per pound this year against 3.7 dollar last year, and said western world supply would overtake demand by 25,000 tonnes this year compared with a 39,000 tonne supply surplus in 1991.

LME stocks rose by 1,986 tonnes to 27,636 tonnes. Tin: Firmer. Talk of delays to Chinese shipments pushed prices up, as did the dollar's weakness and other base metals' strength.

China, who is not a member of the Association of Tin Pro-

ducing Countries (ATPC) which groups seven tin-exporting nations, has voluntarily agreed to limit exports to 17,500 tonnes in 1992, up from 15,700 in 1991, British commodity publication Public Ledger reported.

LME stocks rose by 360 tonnes to 14,655 tonnes. Cocoa: Stronger. After a weak start cocoa prices rallied sharply on fears of a reduction in West African crops due to dry weather and as a strike by Ghana Cocoa Board Employees threatened to disrupt exports.

Signs of progress in negotiations on a new international cocoa agreement in Geneva also helped prices.

Vegetable oils: Lower. Vegetable oil prices fell following palm oil, after Germany-based newsletter Oil World forecast a 11 per cent rise in world palm oil production in 1992-93 (October-September) to 13.2 million tonnes from 11.91 million last season.

Coffee: Easier. Coffee prices lost ground in quiet trading, in the absence of price-supporting physical news.

Minimal frost damage to coffee trees last weekend was reported in the Brazilian coffee growing state of Parana, but temperatures remained mild in the more important Minas Gerais and Sao Paulo growing regions.

Sugar: Easier. Tight Far Eastern supplies supported

the trend early in the week but a technical correction later brought prices lower.

Rumours of transportation problems in Cuba and reports of steady buying the CIS then helped prices consolidate at lower levels.

Crude oil: Firmer. North Sea Brent crude prices firmed on increased tension between Iraq and the UN with the threat of an air strike against Baghdad.

UN weapons inspectors on Wednesday called off their 17-day vigil outside the Ministry of Agriculture in Baghdad, fearing for their safety and after Washington said it had not ruled out military action to force Iraq to comply with UN resolutions.

Rubber: Firmer. Natural rubber prices remained supported by strong Russian demand for latex. But traders said the market "seems to be struggling to hold these levels and looks as if it could come off anytime now."

Malaysia's natural rubber production rose by 27.3 per cent in May to 82,228 tonnes the Statistics Department said. The output was 11 per cent higher than in the corresponding month of last year.

Grains: Rally after weak start. Wheat and barley futures moved in a narrow range, initially retreating but then recovering the lost ground.

Wheat prices remained supported by concern over the quality of the UK crop following recent wet weather.

Tea: Steady. Good demand was seen at the weekly London auction, where the average price remained steady at 165 pence per kilo for quality grades and at 112 pence per kilo for medium grades, and improved to 83 pence against 80 pence last week for low medium grades.

Cotton: Weaker after firm start. The index firmed early in the week in Liverpool, as enquiry for Central Asian cotton was reported, with mills in several European countries thought to require supplies for prompt shipment.

But demand was insufficient to maintain improved levels and the indicator price later drifted slightly.

Wool: Weaker. Sterling's weaker tone against the dollar initially supported prices, but gains were reduced at the end of the week.

Dealers were awaiting resumption of Australian sales next week to give them direction. European traders think prices could firm to begin with, but conditions further ahead are not too good, given the size of the Australian stockpile, recession and the instability of CIS republics to buy.

Malaysia Australia made aircraft will be available soon

KUALA LUMPUR, July 25: The first model of a light aircraft jointly produced by Malaysia and Australia will be for sale in September, a top Malaysian official said Thursday, reports AFP.

Rafidah Aziz, Malaysia's International Trade and Industry Minister, said 11 orders had already been placed for the two-seater Eagle-XTS, adding that its Perth-based makers planned an initial production of 70 units.

"But I cannot give its price yet as it is a trade secret," she told reporters.

Officials said the Australian-designed Eagle-XTS will be as advanced as contemporary American-made military and commercial aircrafts and built almost exclusively from composites of fibre reinforced plastics such as carbon fibre, kevlar, nomex honeycomb and vinyl ester resins.

The project is a joint venture between Malaysia's Finance Minister and national oil corporation (Petronas), and the Perth-based Eagle aircraft of Australia.

The makers said the Eagle would replace the ageing fleet of aircraft used for flight training, recreational surveying and personal general transport purposes.