# BRIEFS

### UN to talk with Iraq on aid workers

UNITED NATIONS, Aug 11 : UN Emergency Relief coordinator Jan Eliasson will begin talks in Baghdad on August 17 on competing a new memorandum of understanding with the Iraqi government covering the status of UN aid workers and guards operation in that country, a UN spokeswoman said on Monday. The last memorandum expired on June 30 and the United Nations has been pressing since May for its renewal. The number of aid workers and guards, originally totalling about 1,100, has been reduced as their contracts have expired. Some of those still in Iraq have also run into difficulties, reports Reuter.

### Airlines recover Gulf War losses

BRUSSELS, Aug 11 : European airlines said their passenger traffic leapt by almost a fifth in the first half of the year compared with the same period in 1991 when traffic slumped due to the Gulf War. But the Brussels-based Association of European Airlines (AEA) said traffic was only five per cent up on 1990 levels, before passengers decided to stop travelling during the hostilities and their aftermath, reports Reuter.

### HK to waive interest charges

HONG KONG, Aug 11 : The Hong Kong government said it will waive interest charges and ad valorem fees totalling 130 million Hong Kong dollar (16.6 million US) owed by the Bank of Credit and Commerce Hong Kong (BCCHK). The official receiver and liquidator of the BCCHK Robin Hearder said in a statement that Financial Secretary Hamish Macleod had been able to approve the waiver as BCCHK was "an exceptional liquidation case which could be distinguished from other liquidations," reports AFP.

### Import from Japan hits trade pact

WASHINGTON, Aug 11 : Concern from US automakers that a new North American trade agreement might serve as a platform for duty-free Japanese imports into the United States is complicating negotiations on the free-trade pact. The dispute is over how much of a car's content must be built in North America for it to come under the duty-free provisions likely to be crafted this week. "The Big Three (US auto manufacturers) are trying to figure out how to make it open for them but not make it open to others," said Gary Hufbauer, a trade expert with the Institute for International Economics, a Washington research group, reports AP.

### Ecuador faces economic crisis

QUITO (Ecuador), Aug 11 : Sixto Duran-Ballen, a 71-year-old conservative, confronted the challenge of reversing this small South American nation's economic decline as he prepared to assume the presidency Monday. "Don't expect miracles," Duran-Ballen, the Boston-born former mayor of Quito said after his election victory July 5. He will serve a four-year term. The three-time presidential candidate defeated another conservative, Jaime Nebot, 45, a former governor from Guayaquil, Ecuador's largest city. The two led a field of 12 candidates in the first round May 17, but neither received a majority, forcing a runoff, reports AP.

### Phone workers strike likely

CHICAGO, Aug 11 : Telephone workers reached tentative work agreements Monday in the US central industrial belt, the South and Southwest, but a strike was threatened along part of the Atlantic coast, including Washington, the capital. The tentative agreements covered workers for telephone companies in central states from stretching from Ohi and Michigan westward to Wisconsin as well as in much of the South and Southwest, and were wrapped up in final bargaining sessions Monday morning. But talks were stalled with the regional Bell Atlantic companies serving Pennsylvania, New Jersey, Delaware, Virginia, Maryland, West Virginia and Washington, DC, where a strike was possible, reports AP.

### Closure of N-Plant supported

PORTLAND (Ore), Aug 11 : Utility officials voted Monday to close the troubled Trojan nuclear power plant by 1996, 15 years before its license expires. The decision still must be approved by the states Public Utility Commission, reports AP.

## Chinese police fire on unruly stock buyers

# Urgent cabinet meet talks steps to handle unrest

BEIJING, Aug 11: Chinese cabinet members held an emergency meeting today after riots broke out in the southern city of Shenzhen among crowds desperate to buy shares, a well-informed stock market sources in Beijing said, reports Reuter.

The source told Reuter government ministers went into urgent session in Beijing to discuss how to handle the unrest.

"I'm not sure if the entire cabinet is meeting or just the heads of the ministries concerned," he said.

An official of the municipal government in Shenzhen said stock exchange authorities in the city would issue more share application forms today.

The source in Beijing said he could not speculate about what action the ministers would recommend but he ruled out the possibility of a suspension of trading in Shenzhen.

"It's not that serious," he said. "The market will not be closed down."

During a visit to Shenzhen in January, China's paramount leader Deng Xiaoping praised the stock market but said if the experiment did not work the bourse could be closed down.

Local officials have since dismissed any idea that the market could be shut.

The top-level meeting indicates how seriously Beijing regards the unrest, the worst in China's brief flirtation with stock market capitalism.

Stocks markets are the most daring aspect of Deng's reform programme that he launched with his visit to Shenzhen.

The reforms have run into opposition from hardliners committed to central planning. The struggle has reached a crucial stage in the run-up to a communist party congress later this year.

Western diplomats have speculated that hardliners are biding their time, waiting for the reforms to be discredited if the economy, as expected, overheats or inflation gets out of control.

There has been no official word in Beijing on the stock market turbulence in Shenzhen.

Earlier report from Shenzhen adds: Thousands of angry investors took to the streets of this southern Chinese city Monday, setting fire to a police car in protest against alleged corruption in the sale of share application forms, witnesses said.

Between 50,000 and 60,000 demonstrators, some holding placards bearing the slogan "down with corruption", were involved in the protest in which a second police vehicle was overturned, the witnesses said.

There were no immediate reports of injuries.

The disturbance followed weekend chaos when an estimated one million people tried to cash in on the booming southern stock market through the sale of share application forms in the city, which borders Hong Kong.

Local police said on Sunday one person had died in the crush as investors from all over the nation battled to get hold of the forms, which allow applicants to enter a lottery for shares.

Only one in 10 forms will be selected by stock market officials, giving the lucky holders the chance to buy stock later this year.

Investors had milled around some of the sales offices throughout the day, refusing to believe that all five million forms had been sold by Sunday night in what was supposed to be a two-day sale.

A craze for share trading has swept China in recent months despite official warnings against the dangers of blindly investing in the belief that prices go only up.

AP adds from Beijing: Police in the southern city of Shenzhen fired guns and tear gas Monday at protesters clamoring for a chance to buy stocks, Hong Kong news media reported.

The protesters gathered at the city government offices and accused officials of keeping coveted stock-purchase applications for themselves and their families, the reports said.

The Hong Kong Standard newspaper said its photographer saw police fire into the crowd and saw one man fall bleeding. His condition was not known.

The newspaper said two cars were set on fire, and at least one police vehicle was turned on the side. Hong Kong television reported protesters stoned police cars, and said some people were arrested.

The crowd finally dispersed, the Standard said.

SHENZHEN, CHINA : A police officer keeps watch as Chinese people wait in line for the last of the application forms to buy shares on the local stock exchange, early evening Sunday outside a branch of the industrial and Commercial Bank of China. Calm returned to the city after thousands came to compete for the shares, a process marred by violence and foul play. — AFP photo

## Libya seeks postponement of sanctions

LUNIS, Aug 11: Libya is seeking postponement of an August 15 Security Council meeting which is due to consider tightening UN sanctions if Tripoli continues to refuse to hand over two Lockerbie bombing suspects, diplomats said, reports Reuter.

Libya had told UN Secretary General Boutros Boutros-Ghali it wanted a four-month delay to try to reach a compromise with the United States, Britain and France who want to put the two on trial, a senior Tripoli-based diplomat said by telephone.

"Given the fact that the Security Council is busy with the Bosnia and Iraq crisis, it is not excluded that a postponement, but for only two months, would be discussed at the UN" another diplomat told Reuters.

## Western demand helps oil price retreat

LONDON, Aug 11 : World oil prices were in retreat on Monday following new evidence of generous supply at a time when the sluggish performance of the western economies is seen as likely to brake demand for petroleum, reports Reuter.

London September futures for the world benchmark crude oil, North Sea Brent blend, touched a low of 19.65 dollar per barrel, down 21 cents from Friday's close. They have dropped by about a dollar since late July.

September futures for US light crude also fell below 21 dollar a barrel on the New York mercantile exchange on Monday taking that market to its lowest since late May, before a partial recovery.

Traders judged that tensions between Iraq and the United States, which propped oil prices up last week, had now receded.

The Middle East Economic Survey (MEES), an authoritative Nicosia-based oil newsletter, reported that oil output by the organisation of the Petroleum Exporting Countries (OPEC) reached 24.145 million barrels daily in July.

It said there had been a hefty increase since June of 415,000 barrels and the group was nearly 700,000 above its self-imposed production limit.

MEES noted indications that weak economic activity may slow the expansion of petroleum demand and that Russia was raising crude oil exports to the west despite its problems.

It said these trends could be worrying straws in the wind for OPEC but it also felt that the market might get stronger again with the approach of the northern winter when demand reaches its annual peak.

Mees said that on balance it would probably still be prudent to expect the market to gather strength in the coming months in anticipation of a tight fourth quarter."

## Iraq, Turkey talk on oil export transit fees

NICOSIA, Aug 11 : Iraq is negotiating with Ankara on transit fees for Iraqi oil exports through a pipeline in Turkey, the Middle East Economic Survey (MEES) said Monday, reports AFP.

Turkish negotiators said at a first meeting in Baghdad in mid-July that the issue should not be an obstacle for crude exports once Iraq reaches an agreement with the UN Security Council on oil sales, MEES reported.

It said they had told Iraq that the earlier announced figure of an annual fee of 264 million dollar was negotiable. The two sides agreed on further talks in Ankara after this month, the Nicosia-based weekly newsletter said.

Iraq suspended talks in Vienna with the United Nations at the end of June, delaying an agreement on limited oil exports for humanitarian needs, after Turkey upped the transit fee from 77 cent to 1.9 dollar per barrel.

Baghdad is also pushing for looser UN conditions, which stipulate that crude exports should only go through Turkey's terminal of Yumurtalik on the Mediterranean.

Iraq wants exports to go through a Gulf terminal as well for clients in the Far East.

The talks between Turkey and Iraq also deal with repairs to the pipeline to bring it to full capacity of 1.6 million barrels per day once an agreement is reached between Iraq and the Security Council, MEES said.

The United Nations has offered to ease the trade embargo, slapped on Iraq when it invaded Kuwait in August 1990, to allow supervised sales of oil totalling 1.6 billion dollar.

The funds would be earmarked to pay for food, medicines, compensation for was damage and the work of UN teams disarming Iraq.

# Tokyo stocks market dips first time in six years

TOKYO, Aug 11: Share prices on the Tokyo Stock Exchange sank lower Tuesday to close below 15,000 for the first time in six years, prompting a government appeal for public support for the ailing market, reports AP.

The 225-issue Nikkei Stock Average shed 243.78 points, or 1.62 per cent , to close at 14,822.56. The Nikkei last closed below 15,000 on March 25, 1986 , when it finished at 14,826.87.

An estimated 190 million shares changed hands in thin trading.

On Monday, the Nikkei broke through the 15,000-point floor for the first time in six years, but recovered slightly later in the day to close at 15,066.34, down 451.93 points.

The Tokyo Stock Price Index of all issues listed on the market's first section lost 21.76 points, or 1.89 per cent, Tuesday to close at 1,126.80. The TOPIX lost 32.67 points, or 2.77 per cent, on Monday.

On Tuesday, selling pressure overwhelmed early support by institutional investors who pushed prices higher in the morning session with bargain-hunting and index-linked buying.

With no signs of a recovery in sight, top government officials implored investors to return to the market after over two years of declines stemming partly from massive financial scandals and the deteriorating economic outlook.

Minister of International Trade and Industry Kozo Watanabe urged individual investors to buy stocks to help the stock market and the ailing economy.

Watanabe also said corporations, which have sharply cut spending due to excess inventories, should make their stocks more attractive by spending more.

Finance Minister Tsutomu Hata, meanwhile, said he was bemused by the precipitous plunge in the price of shares in the former government telephone monopoly, Nippon Telegraph and Telephone Corp, because he believed the company has plenty of growth potential.

NTT shares fell only 2,000 yen to 465,000 Tuesday after plunging 42,000 yen Monday. The former star of the Tokyo market now is worthless than one-sixth its peak value of 3.18 million yen 25000 dollar.

Market analysts scoffed at the official pleas, who said they would only anger investors who have lost their nest eggs in the market.

"Its a slap in their faces," said Kathy Matsui, analyst at Barclays de Zoete Wedd.

"Sounds like wartime propaganda," said Richard C. Koo, senior economist at Nomura Research Institute. "Exhortations like that assume that it's just psychology that's wrong and if they tell the right stories everything will be fine.

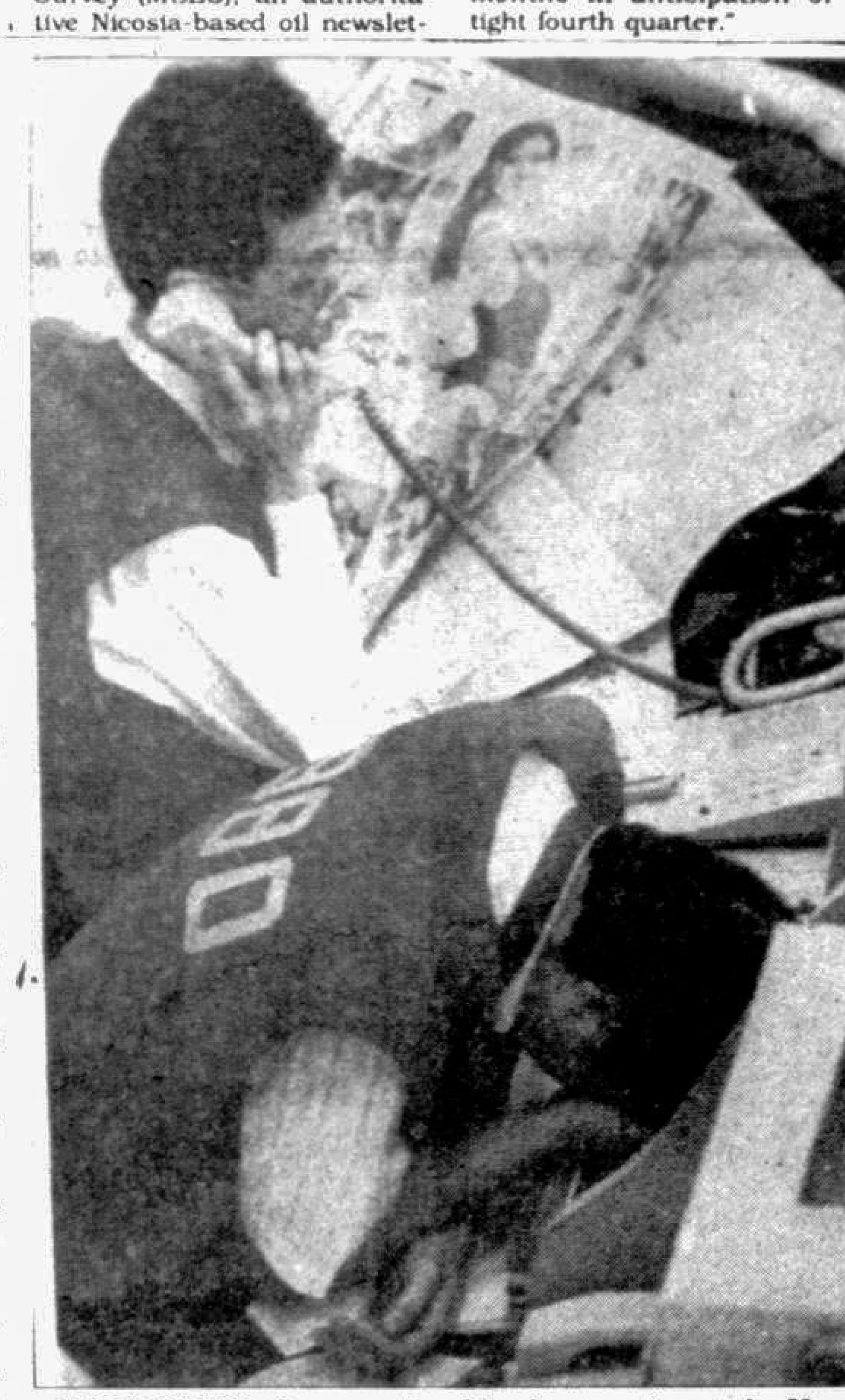
Many economists predict a prolonged and difficult adjustment to the financial crisis that has resulted from the steep decline in stock prices.

Share prices have dropped by more than half since the Nikkei average peaked at 38,915.87 points at the end of 1989. The fall accelerated when many investors abandoned the market following the disclosure last year of questionable trading techniques by dozens of brokerages.

In currency dealings, the US dollar ended trading at 127.91 yen, down 0.01 yen from Monday's close. It opened higher at 128.00 yen, and ranged between 127.91 yen and 128.10 yen.

Trading remained in a narrow range with the dollar facing selling pressure above the 128-yen level and the yen weighed down by pessimism over the stock market and the health of Japan's financial system, dealers said.

As of 5:00 pm (0800 GMT) , benchmark No 129 10-year Japanese government bonds rose to 107.74 points from Monday's 107.59-point finish. Their yield stood lower at 4.990 per cent from 5.015 per cent.



HONG KONG : It was a slow Monday morning at the Hong Kong Stock Exchange as a trader flicks through the girly pages of his paper while a colleague takes a nap August 10. — AFP photo

## Kawasaki to pay $265m for air pollution

TOKYO, Aug. 11: Japan's Kawasaki Steel Corp. and a group of citizens reached a 265 million yen (two million dollar) compromise agreement after a 17-year dispute over air pollution, court officials said Monday, reports AFP.

The plaintiffs included 58 officially recognised victims of pollution, 19 of whom have since died.

The high court-brokered case is the first of a series of major air pollution cases to be resolved in Japan.

More than 170 citizens in Chiba prefecture, just east of Tokyo, failed complaints with the district court in 1975, claiming that their health was injured by sulfur dioxide from a plant of the steelmaker.

The agreed compensation is more than three times the amount the company was ordered to pay by the Chiba district court in 1988. Then the court ordered the company to pay the plaintiffs 77 million yen.

The district court recognised the company as the main source of pollution and accepted a causal link between air pollution and its effects on health. Both sides appealed the ruling.

The Tokyo high court's presiding Judge Jun Okada said it was not clear whether the plaintiffs' illnesses were directly linked to the plant's discharge, but acknowledged the compensation agreement as a formal compromise in the dispute.

Kawaski Steel Vice President kenzo Monden said the company "regretted the suffering it had caused" in an apology issued to the plaintiffs after the compromise was announced.

## Record surplus in Danish balance of payment

COPENHAGEN, Aug 11: The Danish balance of payments on current account showed a record surplus of 5.9 billion kroner (1.038 billion dollar) in the second quarter of the year, up by 150 per cent from a surplus of 2.3 billion kroner in the same period of last year, official figures showed, reports AFP.

The balance of payments during the first six months of the year showed a surplus of 12.3 billion kroner (2.16 billion dollar), up from 3.9 billion kroner one year earlier.

The result was attributed to a surplus of 19.1 billion kroner (3.36 billion dollar) during the first half of the year, and a surplus of 9.7 billion kroner (1.7 billion dollar) on the balance services.

The burden of debt servicing fell by 2.4 billion kroner to 17.3 billion kroner (3.04 billion dollar).

# *BCCI taint touches top US lawyers, Saudi officials*

NEW YORK, Aug 11 : The investigation of BCCI has accelerated in recent weeks, its taint spreading to include indictments of powerful Washington lawyers and probes of leading officials in Saudi Arabia, one of America's closest allies, writes AP.

Prosecuting BCCI criminals is a key element in the war on drugs, prosecutors say.

"Last year we prosecuted, in New York County alone, 30,000 drug cases," Manhattan District Attorney Robert Moregenthau said. "We can do that until the cows come home — until we interrupt the money chain. Drugs come into the United States and money goes out. It is very important to prosecute the people who transmit that money."

Money laundering is a pivotal element in the drug trade because it allows criminals to deposit their illegal profits into the banking system under a guise of legality. An estimated 300 billion dollar in drug profits are laundered each year, according to a 1990 report by a US Senate subcommittee on narcotics, terrorism and international operations.

A 1988 indictment, developed from an extensive US Customs investigation, charged BCCI laundered 32 million dollar in drug profits from 1986 to 1988 alone.

BCCI was perfectly suited — some say designed — to launder ill-gotten gains from the cocaine and illegal weapons trade, prosecutors say.

Founded by Pakistani banker Agha Hasan Abedi in 1972, BCCI grew to be the Third World's largest bank, with operations in 70 countries.

Its main operations were in Luxembourg and the Cayman Islands, countries with a reputation for weak bank regulation, one way BCCI evaded bank regulators.

BCCI actively sought deposits from drug dealers and other questionable sources, prosecutors charge, to inflate its balance sheet and paper over losses from trades and phony loans to the bank's shareholders.

International bank regulators shut down BCCI on July 5, 1991, following auditors' reports describing massive fraud and horrendous loan losses. BCCI pleaded quietly to US racketeering charges in December and agreed to forfeit a record 550 million dollar.

The BCCI closure is "a hit on the infrastructure of the drug trade," said BCCI investigator Jack Blum who began probing the bank while working for Sen Jhon Kerry of Masachusetts. "It's a very important hit."

Charles A Intriago, a Miami-based attorney and publisher of the newsletter Money Laundering Alert, said the BCCI case woke up international bank regulators to the problems of money laundering. But he said drug traffickers can simply go elsewhere with their massive profits.

"The economic incentives are too high and the risks of being caught are too low," Intriago said.

Aside from drug money laundering, events over the last year clearly spell out how BCCI damaged the US banking system:

In California, Independence Bank of Encino, Calif, with 574 million dollar in assets, was seized by bank regulators in January. BCCI secretly acquired control of the Los Angeles-area bank beginning in 1985 through Saudi Arabian investor Ghaith Pharaon, the Federal reserve has charged.

A key reason for Independence's demise was the unwillingness of outside investors to rescue the bank, burdened by bad loans, because of unresolved questions of its BCCI ownership.

The US Federal Deposit Insurance Corp says the failure could cost the nation's bank insurance fund 130 million dollar that money is supposed to be reimbursed from forfeited BCCI assets, but none has been paid to the fund because of pending legal disputes in Washington.

In Miami, BCCI played a key role in keeping Centrust Savings Bank alive longer than it should, prosecutors say. That boosted the amount taxpayers will have to pay to bail out of Centrust, one of the nation's most expensive thrift failures at 1.7 billion dollar, Blum said.

In New York, First American Bank lost 4.7 million dollar because of BCCI 's shutdown in 1991, prosecutors charge.

BCCI secretly acquired First American's parent, First American Bankshares of Washington, DC, in 1983.

A New York County grand jury and a federal grand jury in Washington late last month indicted former defense Secretary Clark M Clifford and his law partner Robert Altman on charges of deceiving regulators about BCCI's role in First American. Clifford and Altman had served as First American Bankshares' chairman and president, respectively.

In early July, Morgenthau's office announced indictments against Saudi investor Sheik Khalid bin Mahfouz, formerly a top executive with National Commercial Bank in Saudi Arabia, in connection with the First American takeover.

Blum, credited with aggressively pursuing the BCCI case, said the damage to the US financial system likely could be greater once regulators determine BCCI's role in other financial scandals of the 1980s, particularly the savings and loan fiasco.

"There are a variety of connections between Milken, Keating, Paul and various BCCI entities that got involved in moving and maneuvering money for the various players in the savings and loan world," Blum said. He referred to three of the largest financial scandals in the 1980s : Michael Milken and the downfall of Drexel Burnham Lambert; Charles Keating and Lincoln Savings and Loan; and Paul of Centrust.

BCCI had only agency offices in the United States and branches with limited banking powers, therefore the deposit insurance fund wasn't at risk by the closure of the bank. Outside the United States, however, some 250,000 depositors are outside at a plan that would reimburse them 30 cent to 40 cent on the dollar for their savings.

## Traders, investors nervous over unrest in Lanka

COLOMBO, Aug 11: Traders and investors nervously watched as the Sri Lanka capital went on red alert Monday ahead of funerals of top military officials killed in a Tamil guerilla mine attack, officials said, reports AFP.

Share brokers said investors reacted cautiously but there was no panic selling at Colombo's tiny stock exchange where prices have been falling since early this year.

"The market generally maintained its (falling) trend. The turnover was low and everybody seemed concerned about the uneasy situation in Colombo," a spokesman for a broking house said.

The market indices were yet to be finalised, brokers said.

The wholesale trade was virtually at a standstill as the main Pettah bazaar was closed out of respect for the nine officers and a soldier who were killed Saturday in a Tamil guerilla mine blast in northern Sri Lanka.