Malaysia launches interest-free Islamic banking scheme

KUALA LUMPUR, June 21 : Predominantly Muslim Malaysia launched through its top three commercial banks an interest-free banking scheme that was pioneered a decade ago by its sole Islamic bank, reports AFP.

Finance Minister Anwar Ibrahim said the three banks would undertake the pilot test of encouraging wider acceptance among Muslims and non-Muslims of this concept based on Islamic principles of profit-sharing.

The interest-free scheme would operate alongside mainstream conventional banking practices and should be looked upon as an additional measure to further boost the economy and the living standard of the people, Anwar said when launching the scheme.

"No deadline is fixed for other banks to adopt this concept. We are going to be flexible and allow people to get used to it first," Anwar said, adding that only three banks were selected to facilitate easier government monitoring.

Malaysian Banking BHD will provide the scheme at 29 branches, bank Bumiputra Malaysia BHD 66 branches and United Malayan Banking Corporation six.

Bank Islam Malaysia BHD, the first Islamic bank to be set up in the Association of South East Asian Nation (ASEAN) region, had since 1983 monopolised a niche in this specialised concept.

Malaysia is grouped in ASEAN along with Indonesia, Thailand, the Philippines, Singapore and Brunei.

"We do not see the three banks as competitors, we knew the objective of this country is to have a number of banks that would promote Islamic banking and competition is after all part of commerce," Bank Islam's Managing Director Halim Ismail said.

Bank Islam pays its depositors, mainly Muslims who make up more than half of Malaysia's 17 million population, a share of profits derived from deposits the bank uses to invest in Islam-sanctioned businesses.

For people seeking loans to buy cars, Bank Islam buys the car and sells it for a profit to the borrower but allows him to make deferred payments.

Banking analysts said the deference between Islamic and conventional banking practices was just cosmetic.

Basically what we call interest, which in Islam is forbidden, they call it free or commission for services," a commercial banker said.

Mohd Nor Yakcob, the Adviser of Bank Negara, the central bank said the scheme was launched to provide Malaysians access to a wider variety of sophisticated banking investments.

Anwar said the three selected banks would provide seven types of interest-free products, savings, investment accounts, home and motor financing, trade bills and export credit refinancing and hire purchase.

"We don't want to label the scheme as Islamic banking, because what is important is the substance not the name," Anwar said.

Taiwan to curb capital outflow for overseas investment

TAIPEI, June 21: Taiwan, seeking to curb heavy capital outflows for investment overseas, may place restrictions on how much its companies can invest in other corporations, the Economics Ministry said on Monday, reports Reuter.

The ministry is considering a proposal to limit such investment to 60 per cent of each company's paid-in capital, Wang Yea-Kang, a director at the Ministry's Commercial Department, said in an interview.

"This would have the effect of curbing excessive investment overseas, especially in mainland China," he said.

The ministry expects to reach a decision by the end of this year.

Taiwan maintained a 40 per cent ceiling on corporate reinvestment until 1990, when it removed the limit as part of economic liberalisation.

Central Bank Governor Samuel Shieh said last week that heavy capital outflows from Taiwan were the biggest financial problems facing the island, putting upward pressure on interest rates and threatening to hurt domestic investment.

Taiwanese companies have invested over nine bullion US dollar in ventures in China since the late 1980s.

This file photo of 1991 shows Japanese hotel and railroad baron Yoshiaki Tsutsumi, 59, who ranks first in Forbes magazine's annual listing of the world's billionaires. Tsutsumi owns hotels, railways and the Sebu Lions baseball team and is worth at least nine billion US dollar. — AFP/UNB photo

UN, Myanmar drug officials meet

BANGKOK, June 21: A delegation from the UN International Drugs Control Programme (IDCP) recently called on senior Myanmar anti-narcotic officials in eastern Myanmar Shan State, the radio Yangon reported yesterday, reports AFP.

The official radio, in a broadcast monitored here, said the meeting took place Tuesday in a Thai-Myanmar border town of Kengtung.

The officials discussed narcotic control measure along eastern Myanmar border areas, the radio said.

The Myanmar team at the meeting was headed by police colonel Ngwe Soe Tun, Secretary of the Central Committee for Drugs Abuse Control, it said, adding that there leaders of local ethnic minority groups were also present.

Salvation for Balkan states lies in economic union : Panic

BELGRADE, June 21: Former Yugoslav Prime Minister Milan Panic said here that the only hope of salvation for the region lay in an economic union, reports Reuter.

"The future of this region, including former Yugoslavia, is an economic union — without that, these countries are not viable," he told Reuters in an interview on his arrival in Belgrade.

"That counts for Croatia, Slovenia, Bosnia, Yugoslavia, Macedonia, Hungary, Bulgaria, Romania, and even Turkey".

Panic is on a three-day visit to Belgrade during which he will meet Serbian opposition leaders.

Of the war in former Yugoslavia, he said: "the killing was a disaster, people were killed for nothing, historians will write this was a black part of Yugoslav history where only hatred was the winning side."

Asked how hatred on the ground — in Bosnia and Croatia — could wear off, Panic said: "I think hatred is developed by the (local) media and corrupted politicians who have nothing better to offer to people so they offer hatred."

Panic said everybody had some "nationalistic ethnic aspirations," and in the 20th century this was totally wrong.

If things were going well people forgot the bad things.

Once economic interests between these small countries develop, people will forget this so-called recent history very fast, that is going to drive them is the future, prosperity and I'm forcing that plan because I believe in it," he said.

Panic, a Yugoslav-born American millionaire who swore to restore democracy in Serbia, was ousted by extreme nationalists in a no-confidence vote in the federal parliament in January.

His dismissal followed his defeat in Serbia's presidential election last December to incumbent Slobodan Milosevic.

Panic, who left the country in March, said he would come back and support the country's opposition movement.

"I came to see my friends, to consult my political friends, to attempt to help Yugoslavia, Serbia, Montenegro, Croatia, Bosnia and Macedonia. That is the purpose — I truly believe I can help," he said.

He said the economy was in a shambles. "There is no economy, the sanctions are getting tighter every day, there is no relief in sight."

Stiff UN sanctions against Yugoslavia, which now consists of Serbia and Montenegro, imposed to punish Belgrade for supporting the Bosnian war, have crippled its economy.

"I think we are not going towards better, we are going towards worse," he said. Panic said the Yugoslav leaders were so wrong in their assessments that "it is almost laughable".

Dollar closes sharply higher in Tokyo

TOKYO, June 21: The dollar closed sharply higher at 110.48 yen on the Tokyo foreign exchange market Monday, up 3.08 yen from the previous trading day's finish of 107.40 yen, says AFP.

The closing rate here was higher than 109.70 yen quoted in New York late Friday.

After opening higher at 109.36 yen, the Greenback moved between 109.35 yen and 110.88 yen on the Tokyo market Monday.

Spot turnover swelled from Friday's 8.559 billion dollar to 12.506 billion dollar.

Speculative US and European investors sold yen massively for dollars amid the political uncertainty in Japan, dealers said.

Market participants said they were concerned about a split in the ruling Liberal Democratic Party (LDP) following its defeat in a no confidence motion last Friday and the calling of general elections on July 18.

The political confusion also pushed down share prices on the Tokyo stock exchange sharply Monday.

The dollar started to rise against the Japanese currency after hitting a record low of 104.80 briefly here Tuesday last week.

Until then, dollar had been sold for yen almost uninterruptedly on prospects of a further advance in the exchange value of the Japanese currency.

Tokyo summit of G7 nations

Draft declaration suggests to drop bureaucracy, formality

TOKYO, June 21: Bureaucracy and formality should be dropped from the Group of Seven summits, which have become more ceremonial than substantial, according to a draft declaration to be adopted at the upcoming July meeting here, report said, according to AFP.

It was the first time the draft economic declaration included a proposal to reform the G7 summit itself, said the Yomiuri Shimbun, which obtained a copy of the draft.

The proposal is believed to reflect the member countries' concern over the current state of the summit, which has become more ceremonial than substantial, the mass-circulation daily said.

Bureaucracy and formality should be eliminated from the summit, the draft reportedly said.

The July 7-9 summit should be a place to form agreement between the heads of state and government, and needs significant follow-up processes, according to the proposal.

The G7 nations are Britain, Canada, France, Germany, Italy, Japan and the United States.

The draft consists of six themes including the proposal. The five other themes include the world economy, trade with Russia, developing countries and the global environment, the daily said.

The draft calls for each nation to bring back sustainable economic growth without inflation by combining necessary financial and monetary measures and by reducing structural budget deficits.

As for each nation's economy, the draft said steady economic growth can be expected in North America, the economic slump has bottomed out in Japan and there are signs that it is in the process of doing so in Europe.

Mongolians struggling to remake economy on Asian models

ULAN BATOR, June 21: Three years after Mongolians embraced democracy and threw off the yoke of dependence on the Soviet Union, their nation is struggling to remake its economy on the model of its thriving market-oriented Asian neighbours, reports AFP.

Mongolia's 2.2 million people have endured severe food shortages, lack of electricity and heat in the bitter winters, and a rising crime rate.

But with the worst of the economic shock therapy applied last month, government officials and western donors express cautious optimism that the quiet revolution of 1990 will start to pay off for the people. "We are telling them the very difficult period is over", said Bataar, Deputy Director of the National Development Board in charge of macroeconomics.

"The inflation rate will be low for the rest of the year and we hope to see the economy expand instead of shrink in 1994," he said.

Low inflation for Mongolia is anything under triple digits. Retail prices rose 320 per cent in 1992 and 207 per cent from January to June this year.

The local currency, the tugrik, has all but collapsed, losing half its value when the government floated it last month. Visitors to Mongolia get huge stacks of banknotes in exchange for their dollars.

The tugrik's float was among the lat of the shock reforms the Mongolian government effected under agreements with the International Monetary Fund(IMF) and World Bank. Others included tariff cuts and price rises for housing, transportation and gasoline.

The price of freedom from Soviet dictates was the loss of the 30 per cent of Mongolia's imports Moscow once supplied, and Mongolia's policymakers have learned quickly that they are under restraints of a different kind, this time from the aid donors of the west.

The hardest lesson came in October last year, when, with an intense Mongolian winter looming, the IMF cancelled a 20 million dollar drawing because the government had failed to reach six out of seven reform targets.

"That's just how it works", said Wilhelm Nahr, the IMF's Resident Representative in Ulan Bator. "They learned the hard way, but they seem to have learned quickly".

Mongolia survived the winter thanks to Japan's decision to redirect 20 million dollar in infrastructure development aid toward the petroleum imports.

The IMF and World Bank have worked out a new three-year structural adjustment programme that will give Mongolia about 57 million dollar north of drawing rights.

Danish left-wingers march to protest closer union plan

COPENHAGEN, June 21: About 300 left-wing protesters, many hooded, marched yesterday in protest against European Community plans for closer union ahead of an EC summit opening later in the day, reports Reuter.

"We want to work for an alternative Europe not based on materialism and economic growth," one hooded speaker told the demonstrators.

But the rally, organised by so-called autonomous groups who were involved in a bloody riot after Danes accepted the EC's Maastricht Treaty on European Union last month, drew far fewer than the 2,000-3,000 organisers had predicted.

"We'd hoped for many more people," conceded one of the organisers who helped push a van blaring anti-EC speech through the streets. The groups ranged from anarchists to environmentalists.

He said only a handful of foreign protesters, including some from Germany , Sweden and Norway, had come for what had been billed as the main rally by the autonomous groups during five days of anti-EC protests around the Copenhagen summit.

Last month 11 Copenhagen protesters were injured and more than 30 police were wounded after Danes, reversing a previous rejections, accepted a new deal on the Maastricht Treaty on political, economic and monetary union.

The riot was the most violent in Denmark since World War Two. Police, fearing violent protests could disrupt the summit, are mounting their biggest security operation since EC leaders last met in Copenhagan in December 1987.

On Saturday, a policeman on a motorcycle guided the peaceful march through the streets but police were otherwise not to be seen.

The summit is due to include talks on how to stop the war in Yugoslavia and ways of reviving EC economic growth. EC socialist leaders were due to start separate talks ahead of the summit on Saturday.

British tea lovers can now choose a brew that cares for pickers

LONDON, June 21: Shop-pers in Britain, the worlds biggest tea importer, can now buy a brew that the manufacturer claims cares for tea pickers, reports IPS.

Premier brands hopes its Ty-phoo blend will cash in on growing consumer concern for products that treat workers in the Third World more fairly.

Industry analysts greet with caution Ty-phoo's declaration to be caring for tea and our tea pickers. But most agree that Premier is indeed buying tea from estates with better standards for safety, health and housing than others in the same country.

"In terms of comparability, that kind of claim can be substantiated, although wages are generally fixed," says Richard Adams, Director of the Fair Trade Foundation. Premier (is) probably looking at 50 or 60 separate categories for quality and each has a grading.

Categories include safety in the tea factory, pesticide use, access to running water and provision of electricity. Premier will not take tea from estates where the quality standard is rated unacceptable but might buy temporarily from one in the needs improvement category, Adams said.

For 20 years, campaign groups in Britain have criticised tea companies for low wages and conditions on their estates. Premier says it has been planning its quality standard scheme for six years and that it links quality of the tea itself with better conditions for employees on the estates.

Philip Mumby, Premier's operations director for tea and cocoa, says even if fair trade was working perfectly "you will never be able to compare wage rates in the North and South. What we are talking about is slightly less unfair trade really."

"You can have your alternative trading organisations, little pockets of holiness, or get into the mainstream and maybe a little less pure, he adds." "There are a few companies that are beginning to take a lead. They are letting us take their factories apart and examine their labour agreements."

Premier has about 20 per cent of British tea sales and has called in the Swiss quality inspection company SGS to monitor its partner tea estates. "We have been developing a strategy of moving away from the auctions and teaming up with people we feel comfortable with," Mumby said.

Richard Muir, chairman of James Finlay, which operates estates in Bangladesh and Kenya, says the Scotland-based firm has been inspected and passed. "All they want is to buy from people who maintain good standards and good running of their estates," he says.

Following consumer demand for environment-friendly products, a niche market is developing for items that Third World friendly.

Manila's foreign debt rises

MANILA, June 21: The Philippines' foreign debt rose by 3.31 per cent to 31.359 billion dollar in the first two months of the year, the central bank said here Sunday, reports AFP.

Central bank officials said this was mostly due to the depreciation of the Philippine peso against the dollar, and increased short-term loans despite a general economic slowdown caused by an acute power crisis.

Of the total debt, 37.15 per cent was owed to bilateral sources, headed by Japan.

Multilateral creditors such as the International Monetary Fund and the World Bank account for 22.66 per cent, while obligations owed to foreign banks and other financial institutions amounted to just over 21 per cent of the total.

The central bank did not say where the balance was sourced.

Kuwait to raise oil output by 30 pc over next 3 months

KUWAIT, June 21: Kuwait announced on Sunday it would increase oil output by 30 per cent in stages over the next three months and urged fellow producers to support prices by exercising restraint, says Reuter.

The emirate, seeking to head of likely OPEC criticism, said the move merely fulfilled the producer group's broken promise of a 30 per cent increase in its third-quarter production quota.

Oil Minister Ali Ahmed al-Baghali, under pressure to boost revenue from Kuwait's one natural resource, said the emirate would increase its own output only gradually.

"We will be responsible," he said in a statement, adding he believed the market could absorb the additional barrels.

Oil Marketing Official Sheikh Ali Jaber al-Ali al-Sahab told Reuters Kuwait would not resort to slashing prices.

"We will not be throwing it away," he said, adding Kuwait would try to sell the extra barrels in the US and Asia.

A regular weekly cabinet meeting later stressed its commitment to responsible oil production following a briefing from Baghali on the oil market, the official Kuwait news agency reported.

"It expressed the hope that all (OPEC) member countries stick to their joint responsibility ... to achieve the interest of all and enhance the stability of the world oil market," the agency added.

Baghali said output would be raised gradually to reach 1.9 million barrels per day (BPD) in the course of July from 1.6 million BPD currently, a 19 per cent increase.

Output would rise five per cent to two million BPD during August and eight per cent to 2.16 million during September.

Sagging prices sank further earlier this month when Kuwait, in a bruising dispute with some OPEC members, refused to sign an accord continuing second quarter quotas until October.

Prices are currently three dollar below OPEC's target 21 a barrel.

The 11 other group members rejected Kuwait's demand that they honour a promise made in February that they would raise the emirate's third-quarter quota to at least two million BPD.

Border trade fair promotes Sino-Russian economic ties

HARBIN, June 21: The fourth China-Harbin border economic relations and trade fair has seen promotion of Sino-Russian economic cooperations, reports Xinhua.

The fair opened on June 15.

In the first five days of this year's fair contracts for 171 economic projects were signed worth 583 million US dollar.

They include such big cooperation projects as the building of a steel factory in Guangdong, deal among the Heilongjiang trade company, a Hong Kong steel company and a Russian company.

US dollar gains ground across Asia over the week

HONG KONG, June 21: The US dollar gained ground almost across the board against Asian currencies over the week, including a 20-month high against the Taiwan dollar, reports AFP.

Many investors used the Greenback as a safe haven to ride out the political crisis in Japan, as the yen had a roller-coaster week hitting an all-time high before finishing the week down.

Only the New Zealand dollar made headway against the US unit, after having reached what investors called " comfortable" level.

Japanese yen: The yen fluctuate wildly on the Tokyo foreign exchange market before closing at 107.40 yen to the dollar Friday,. down 1.08 yen from the 106.32 yen finished a week earlier.

The yen broke through the psychologically important barrier of 105 yen to hit a new record high of 104.80 yen briefly on Tuesday.

But it lost ground sharply Wednesday at 106.35 yen and kept falling amid investors' concern over the Japanese political situation, which culminated in Friday's dissolution of Diet's lower house.

The yen's high levels earlier in the week reflected prospects of a further rise in its exchange value due to Japan's huge trade surplus, dealers said.

Australian dollar: The Australian dollar remained under pressure during the week to finish lower against the US dollar.

The Australian dollar finished the week at 67.35 US cent from 67.67 US cent the previous week.

The Central Reserve Bank's trade weighted index, which measures the Australian unit against a basket of major trading currencies, ended at 49.6 points from 49.5 points previously.

Uncertainty about the political situation in Tokyo kept the dollar trading in a narrow range for much of the week.

Foreign exchange markets were closed Monday for the Queen's birthday holiday.

Singapore dollar: Down at 1.6183 to the US dollar Friday against last week's 1.6095. The local unit began the week at 1.6080 and weakened gradually in line with other currencies as the dollar turned bullish.

Taiwan dollar: Slid to a 20-month low of 26.4275 to the US dollar in hectic trading Saturday, down 13.75 Taiwan cent from the previous finish of 26.29.

Currency dealers attributed the slackness of the Taiwan unit to a strengthened Greenback in the international market and seasonal demand on the island. Central bank governor Samuel Shieh said Wednesday that increasing liquidation outflows and a dwindled trade surplus here had left little potential for the local currency to go up.

Hong Kong dollar: Finished the week easing further towards the mid-point of its tight peg to the Greenback, at 7.8336-7.7346 to the US dollar.

The effective exchange rate index stood at 112.7, well up from the previous week's 111.8.

New Zealand dollar: Closed Friday worth 54.18 US cent compared to the previous week's close of 53.93.

The local unit was " looking comfortable at that level," one dealer said, adding that it could expect support at 54.10 US cent and resistance at 54.35.

Malaysian ringgit: The ringgit was weaker against the US dollar, Friday, closing at 2.5708 to the Greenback from 2.5645 at the previous week's close.

Dealers attributed the fall to strong international support for the Greenback.

Thai baht: Down at 25.22 baht to the dollar, from the preceding week's close of 25.14 baht. The Greenback's strengthening was attributed to the political uncertainties in Japan and the weakening German economy.

Philippine peso: Fell to close at 27.289 peso to the dollar Friday, from 27.029 peso at the end of the previous week

Indonesian rupiah: Continued its downward trend to close at 2,085 to the dollar Friday from 2,082 the previous week.

South Korean won: The won was weaker at 802.20 to the dollar, down from the previous week's close of 801.20 in lack-lustre trading.

Australia's net foreign debt stands at $ 119 billion

CANBERRA, June 21: Australia's net foreign debt rose by 2.7 per cent to 168.2 billion Australian dollar (119 billion US dollar) in the December quarter from the previous quarter, according to data released here, reports AFP.

Gross debt, which excludes money owed to Australia from overseas, rose to 203.0 billion dollar from 202.2 billion dollar in the September quarter, the Bureau of Statistics said.

The growth in the debt figures were blamed on the depreciation of the Australian dollar, the reserve bank's defence of the currency and a deterioration in the current account deficit.