

## ADB cancels \$ 46m loan for Lankan power plant

COLOMBO, June 12: The Asian Development Bank (ADB) last week cancelled a 46 million dollar loan for a diesel power plant in Sri Lanka after "interested parties" blocked the deal, the independent Sunday Times reported, says Reuter.

It said the ADB had approved the German firm Man, selected by international experts to supply the 40 megawatt power plant.

"But it was blocked by interested parties who later tried to promote an 80 megawatt plant from French supplier who earlier supplied a defective generator... which has never worked even at half capacity," the paper said.

Government officials were not available for comment.

## China planning to open up treasury bond sales to foreigners

BELJING, June 12: China is planning to open up treasury bond sales to foreigners but not this year, a Finance Ministry official was quoted Sunday as saying.

"We wish to open treasury bonds to foreign investors as soon as possible," the China Daily Business Weekly quoted Gao Jian as saying. Gao is vice director of the ministry's Department of State Debt Administration.

He said the bonds offered to foreigners would carry the same coupon rates for the same terms of maturity as those sold domestically, and would be denominated in Chinese currency, renminbi.

However, Gao said the bonds should have longer terms of maturity, in keeping with the preference of US institutional investors.

The newspaper quoted Gao as saying that a timetable for the move is yet to be set, adding that "we are sure no action will be taken this year."

## 'US food safety standard won't weaken with Uruguay Round'

WASHINGTON, June 12: US trade representative Mickey Kantor says the recently completed Uruguay Round global trade accord will not force the United States to take in unsafe food imports but instead will increase its ability to challenge arbitrary food restrictions imposed on its food products for trade, not health, reasons, according to USIS.

"Only the US Congress has the ability to change US law," Kantor said in issuing June 9 a new report prepared by the Food and Drug Administration, Environmental Protection Agency and US Department of Agriculture. "The World Trade Organisation will not affect US sovereignty, and will not affect the US right to pass new laws, enforce existing laws, or set its own levels of environmental protection."

The US trade representative said that allegations that the Uruguay Round accord weakens food safety standards are "misguided relying on tactics of fear and exaggeration to attack the Agreement."

The report, he said, concludes that the Uruguay Round Agreement "will not force the United States to adopt lower international food safety standards, will permit the United States to continue to reject food imports that the United States does not consider safe, and will permit states to maintain stricter food safety standards than the federal government."

## S Africa to review trade ties with neighbours

CAPE TOWN, June 12: Southern Africa will renegotiate all its trade agreements with neighbouring states to assure a more balanced trade flow, Trade and Industry Minister Trevor Manuel said on Friday.

He told a news conference at the southern African summit of the World Economic Forum that delegates had identified trade as a key issue in ensuring sustainable economic growth in the region.

"Safely, trade is now a one way street to markets that are not sustainable," he said in an apparent reference to the aid dependency of most of South Africa's neighbours.

Manuel said South Africa would review its Southern African Customs Union (SACU) agreement with Botswana, Lesotho, Swaziland and Namibia as well as trade agreements with Malawi and Zimbabwe.

The smaller states depend for a large measure of their budgetary income from tariffs on external trade under the SACU agreement, which provides for a free trade between the five members.

## India's bond scam

## Central bank to crack down on guilty foreign banks

BOMBAY, June 12: India's central bank is moving to punish foreign banks guilty of wrong doing in a 1.3-billion dollar swindle which shocked the financial system when it surfaced more than two years ago.

Errant domestic banks will be dealt with equally harshly, said Devendra Mehta, Deputy Governor of the Reserve Bank of India (RBI).

Action will be taken early, Mehta told AFP here. We are in the process of finalising a decision.

Guilty foreign banks will not be allowed to expand their Indian networks, and face "more stringent action as well," Mehta said.

Other central bank sources said the RBI was contemplating either a fine amounting to 10 per cent of the bank's illegal transactions, or ordering them to forfeit.

Mehta declined to disclose details, saying: A lot of complicated issues are involved. They (foreign banks) know action is coming. There will be no distinction between foreign and Indian banks on this issue.

He said punishment would be uniform, fair and reasonable and defend on the extent of the individual bank's violations.

The fraud, which surfaced

in April 1992, was carried out by stock brokers and corrupt bank officers who colluded to steal 1.3 billion dollars in illegal transactions to play a then-shocking stock market.

It ended an unprecedented share price boom, brought India's entire financial system under a cloud, triggered a broad revamping of the operations of foreign and domestic banks and caused two small banks to collapse.

Several brokers, including alleged scam mastermind Harshad "Big Bull" Mehta, and bankers were briefly jailed and one federal minister resigned.

Among foreign banks involved in the scam to varying degrees were Citibank, Bank of America, ANZ Grindlays, Standard Chartered, American Express, Hong Kong Bank and Banque Indosuez.

A senior executive in a big state-owned banks said any kid-glove treatment to foreign banks would devalue India's financial system further.

But the central bank's Deputy Governor, Mehta, denied soft-pedalling, and listed steps already taken against foreign players in the scam.

We have denied extension of terms to the chief executives of four major foreign banks. Besides, several foreign banks have been asked to take action against guilty staff. Large-scale transfers of staff have taken place.

The RBI said the value of the illegal transactions of Bank of America, Citibank, ANZ Grindlays and Standard Chartered alone amounted to nearly half the total value of the scam-tainted bank business.



The Ambassador of the Republic of Korea in Bangladesh Jong Kyu Byun called on A Rob Chowdhury (R), President of the Dhaka Chamber of Commerce & Industry (DCCI) at its office recently. They discussed issues relating to promotion of bilateral trade and economic cooperation between the two countries.

Both Indian and foreign banks were found to have fudged and doctored records, creating false entries and reporting fake transactions in violation of not just central bank guidelines but also norms of prudent banking.

They were found to have engaged in numerous fraudulent deals involving public sector bonds and the corporate surpluses of cash-rich public sector firms.

Some local press reports have speculated that New Delhi was holding the RBI back from punishing foreign banks for fear of putting off overseas investors whom the government is courting.

Shokhin stressed that only banks based in countries affording reciprocal rights to Russian banks would be authorised under the decree.

Societe Generale is one of nine foreign banks that tried and failed last November to

join the French Credit Lyonnais and the France-German BNP-Dresdner Bank conglomerate already licensed to operate full services in Russia.

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