

## India asks two Japanese banks to act as custodians for foreign institutions

TOKYO, June 15: India's Finance Secretary, Montok Singh Ahluwalia, said Tuesday he had asked Japan's Sanwa Bank Ltd and Bank of Tokyo Ltd to act as custodians for foreign institutions making portfolio investments in India, reports AFP.

Ahluwalia also said foreign banks were not being singled out for punishment over a 1.3 billion dollar fraud and penalties imposed by the central bank would offer "absolutely no discouragement" to foreign investors.

The Finance Secretary told a luncheon here he made the request to the Japanese banks to ease problems with India's domestic settlement systems, which had become "choked up" with the influx of foreign institutional investment.

He said the four foreign banks already acting as custodians for foreign investors were "swamped" and therefore not taking any new fund.

"In the last three or four months, this has been a new irritant to foreign investors who haven't got in," Ahluwalia

said, explaining why he had asked Sanwa and Bank of Tokyo to act as custodians too, duties of which include such activities as clearing stock transactions.

"The market will provide a solution if there is demand," Ahluwalia said.

Ahluwalia said the Indian government was also working in legislation to set up a central depository system to ease domestic settlement problems.

Foreign portfolio investment in India came to almost four billion dollars in the year to March, he said, of this, 1.4 billion dollars came from foreign institutions investing in the Indian market and an additional 2.5 billion dollars from equity issued by Indian companies in the Euromarkets.

Ahluwalia said equities issued by Indian companies abroad were "preferred very strongly" by foreign investors for simpler settlement procedures.

"Hence, reforms are now focussing in the Indian stock market," he said.

The Finance Secretary also

reiterated that "fair" penalties would be imposed by the Reserve Bank of India against the foreign banks found to be involved in the 1.3 billion dollar scam which surfaced two years ago.

Among the foreign banks are Australia's ANZ Grindlays Bank Ltd, Britain's Standard Chartered Bank PLC, Bank of America, American Express Co, Hong Kong and Shanghai Bank Ltd, and France's Banque Indosuez.

"These penalties are being introduced by the central monetary authorities for clear violation of financial norms, both by Indian banks and foreign banks," Ahluwalia said.

"We are certainly not viewing the penalties as penalties for foreign banks. I'm quite sure the reserve bank will levy penalties that will stand up to the judgement of bankers around the world."

Reserve Bank Deputy governor Devendra Mehta recently told AFP in Bombay that the central bank was "in the process of finalising a decision" and that "action will be

taken early" against the errant banks.

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

Other central bank sources said the Reserve Bank was contemplating either a fine amounting to 10 per cent of the banks' illegal transactions, or ordering them to forfeit the profits made in the scam.

Mehta declined to disclose details of the punishment apart from saying "there will be no distinction between foreign and Indian banks on this issue."

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

The Reserve Bank has 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.

## Plea to withdraw import duty, VAT from synthetic fibre

Kamal Uddin Ahmed, Managing Director of Ashraf Textile Mills Ltd, has urged the Finance Minister to completely withdraw import duty and VAT from synthetic fibre, says a press release.

In a statement yesterday he said synthetic fibre should be treated as another basic raw material of the textile industry with a view to attracting investors in this sector.

Import duty on nylon chips has been withdrawn. Similarly duty on synthetic fibre should also go, Kamal said.

He, however, praised the Finance Minister for attaching more importance to textile sector in proposed budget of 94-95 fiscal year.

## German unit of UK firm signs contract with Malaysian co

LONDON, June 15: A German unit of British conglomerate Trafalgar House has signed a contract with a Malaysian company for the supply of continuous polycondensation and solid-state plant, the company said Tuesday, reports AFP.

In February, the Malaysian government decided to boycott British firms in retaliation for corruption in Anglo-Malaysian trade and in the regime of Prime Minister Mahathir Mohamad.

John Brown Deutsche Engineering (JBDE) located in Essen, Germany, signed a contract with Polybond SDN. BHD in Kuala Lumpur to set up a plant for production of 30,000 tonnes per year of polyethylene terephthalate (PET) bottle and film grade resins.

JBDE said it would provide its own process know-how, the basic and detail engineering supply the key equipment and machinery and supervise the erection and commissioning of the plant.

The plant is scheduled to start production at the end of 1995. The value of the contract was not disclosed.

JBDE also said it had been awarded a contract by PET. Polysindo Eka Perkasa in Jakarta, Indonesia, to supply equipment for a continuous Polycondensation plant to produce 120,000 tonnes per year of polyester fibre grade melt for direct spinning of fibre and polyester fiber grade chips.

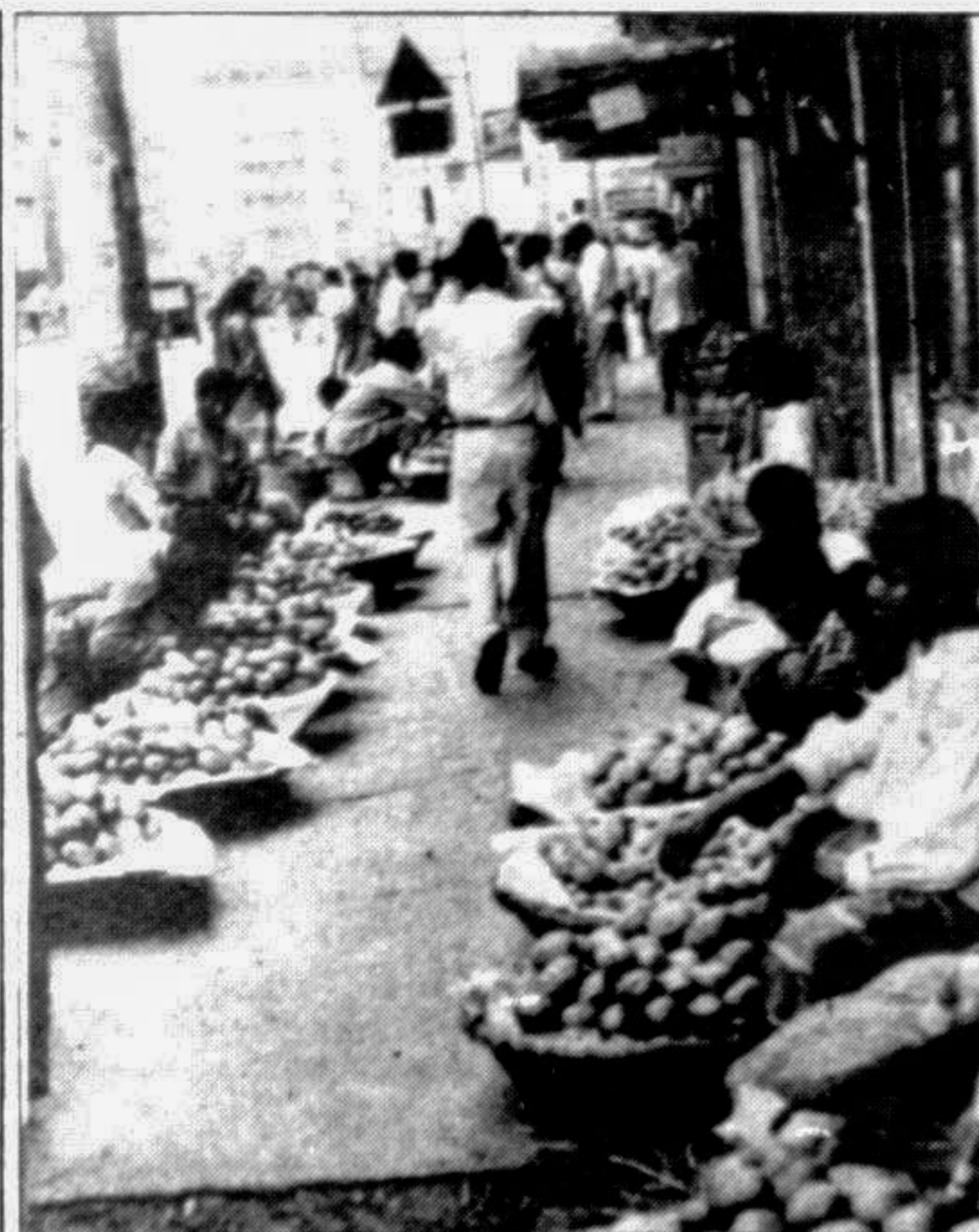
## Tokyo to stop cash remittances to Pyongyang

TOKYO, June 15: Japan has agreed to stop cash remittances to North Korea from ethnic Koreans living in Japan as part of a draft UN resolution against Pyongyang over the nuclear standoff, the Yomiuri Daily said Wednesday, reports AFP.

The agreement followed a telephone conversation Tuesday between US President Bill Clinton and Japanese Prime Minister Tsutomu Hata, the daily quoted an unidentified senior government official as saying.

In Washington, White House spokeswoman Dee Dee Myers said Hata assured Clinton that a formerly hesitant Tokyo was now prepared to approve sanctions.

North Korea receives large sums of cash from Japan, usually from ethnic Koreans living in the country, with estimates ranging between 600 million and two billion dollars annually. The latter figure, attributed to experts and Bank of Japan calculations, would represent half the Stalinist states' annual economic output.



Local mangoes are being sold at Motijheel Commercial Area in the city at the rate of Tk forty to forty-five per kilogram yesterday. — Star photo

## Israeli shares fall by 4.7pc

TEL AVIV, June 15: Tel Aviv's frenetic stock market plunged 4.7 per cent Tuesday, continuing a month of roller-coaster ups and downs that have left Israelis confused and jittery about prospects for the economy, reports AP.

The General Share Index fell from 185.51 to 176.88 by the end of trading, the exchange announced.

The fall, which wiped out more than one billion dollars in paper value, was typical of the unstable market in recent weeks after the index fell about 35 per cent in May, reaching the 165 level.

In early February the index stood at around 250 after months of dramatic rises brought on by peace hopes. But since then the market has been battered by revelations of stock manipulations, charges that shares were overvalued.

Some analysts expressed fear that the continuing slump indicated the market was sensing an imminent recession despite optimistic overall assessments for the economy. The finance ministry has projected six per cent economic growth for 1994.

## Bankruptcies in Japan rise

TOKYO, June 15: Corporate failures in Japan rose 7.3 per cent from a year earlier to 1,194 cases in May, remaining above 1,000 cases for the 16th consecutive month, credit research agency said yesterday, reports AFP.

The failures, with individual liabilities of at least 10 million yen (97,000 dollars) rose 1.5 per cent from the previous month, Teikoku Databank Ltd said.

Combined liabilities for these bankruptcies totalled 443.3 billion yen (4.3 billion dollars) up 22.9 per cent from the previous month, but down 33 per cent from a year earlier, the agency said.

The number of recession-induced failures — attributed to such factors as sluggish sales and exports, difficulties in collecting bills and the accumulation of bad debts, totalled 750 cases, or 62.8 per cent of bankruptcies.

It was the tenth consecutive month that the ratio of recession-induced failures topped 60 per cent, the agency said.

## 30 hurt as ROK students protest farm market opening

SEOUL, June 15: About 30 students and police were injured Wednesday when a student rally protesting South Korea's farm market opening turned violent, a news report said, reports AP.

About 800 students attending an anti-import rally in the southern city of Kwangju clashed with police guarding a district governing party office, the national news agency, Yonhap, said.

They used rocks and steel pipes to confront about 600 riot police when they tried to attack the office, the report said. Police responded by lobbing tear gas at the students.

In Pusan, the nation's second largest city, 328 kilometers (205 miles) southeast of Seoul, about 50 students staged a sit-in protest Wednesday in front of an American cultural centre, the agency said.

Police arrested 46 students in both clashes, it said. Students charged that the South Korean government gave in to US pressure to open the country's agricultural market.

## "Asian poor states' GDP to grow 6pc by century-end"

NEW DELHI, June 15: Asian developing countries will achieve GDP growth of 6.5 per cent between now and the end of the century, with sustained reforms and an external resource flow to support restructuring, says the Managing Director of the World Bank group, Ernest Stern.

Writing in the latest issue of "finance and development" a joint publication of IMF-World Bank, Stern said the East Asian "miracle" might be spreading to South Asia. He said though a late starter, South Asia too is beginning to reform its investment and trade policies.

Bangladesh, India, Pakistan, Sri Lanka have initiated reforms that are dismantling restrictions on domestic and foreign private investment, removing quantitative trade restrictions and reducing the level and dispersion of tariffs.

## Pak traders for holiday on Sunday

ISLAMABAD, June 15: Pakistan's leading businessmen called, on the government Tuesday to end the new five-day working week and to return to a six-day week with a holiday on Sunday instead of the Islamic Friday holiday, reports Reuters.

"A developing country like Pakistan cannot afford the luxury of a five-day working week as it will badly affect the working of government offices which in turn will affect the national economy," S M Muneer, President of the Federation of Pakistan Chambers of Commerce and Industry, said.

In a statement issued after a meeting of the business group, Muneer said his members had unanimously opposed the introduction June 1 of a two-day weekend — on Friday and Saturday — and demanded one weekly holiday — on Sunday, the official APP news agency said.

"Pakistanis cut off from the international markets and actual business dealings are suspended for three and a half days a week as most of the world markets are closed on Saturday and Sunday," Muneer said. Prime Minister Benazir Bhutto introduced the five-day week, saying it would save money for the government in terms of electricity and petrol.

## German bid to host WTO

GENEVA, June 15: Germany on Tuesday formally proposed Bonn as the headquarters of the new World Trade Organisation, in a challenge to the lakeside city of Geneva, reports AP.

Deadline for applications to host the trade body expire Wednesday but there are not expected to be any other candidates.

The WTO is meant to start life next year to succeed the General Agreement on Tariffs and Trade, which sponsors trade liberalizing agreements and arbitrates in disputes. The WTO will have wider powers and be much bigger than GATT, which has just 400 employees.

Geneva, where GATT is based, is the favored candidate, although trade officials are still haggling with the Swiss over issues like diplomatic privileges. The Geneva city council fears a big drop in revenue if it loses the WTO.

## Lower prices mark tea auction

CHITTAGONG, June 15: The weekly tea sale held here yesterday was marked by selective demand and lower prices for different categories of teas, market sources said, reports BSS.

Russian buyers purchased increased quantity of large and fold broken while Poland bought small quantity of the category at lower rates. Pakistan and internal buyers lent less support resulting in a lower price for fannings and small broken.

A fair quantity of large and bold broken was sold at

slightly easier rates ranging between Tk. 45/50 and Tk 47 per kg.

Medium broken met with only a limited demand and were mostly unsold. Smaller broken, likewise, met with a less demand at easier rates selling mostly upto Tk. two per kg, below last levels. Popular types also received less support selling between Tk. 51/50 and Tk. 53/10 per kg.

All fannings met with a less support and had a lower market declining upto Tk three per kg, following quality. Good liquoring fannings had a fairly good market and generally

based upto Tk. two per kg while plainer types were neglected and were discounted upto Tk. three per kg.

Popular types also had a lower market selling between Tk. 52/ and Tk 54/60 per kg.

4,258 chests of dust category on offer met with much less demand at easier rates. Better liquoring types once again attracted more interest while the plainer sorts were generally neglected. Internal buyers absorbed the bulk of the offerings.

There were 19,792 chests of teas on offer.



Dr Abdulaziz Al-Orayer, Deputy Minister and Economic Adviser, Ministry of Finance and National Economy of Saudi Arabia presiding over the Annual General Meeting of SABINCO in the city on Tuesday.

## Operational performance of SABINCO reviewed

The 10th Annual General Meeting of the Saudi-Bangladesh Industrial and Agricultural Investment Company Limited (SABINCO), a joint venture investment company of governments of Saudi Arabia and Bangladesh was held on Tuesday, says a press release.

The meeting was chaired by Dr. Abdulaziz Al-Orayer, Chairman, SABINCO and Deputy Minister and Economic Adviser, Ministry of Finance and National Economy, KSA.

The government of Saudi Arabia was represented by Mansour Al-Mebrek, Deputy of Saudi Public Investment Fund, while the Bangladesh side was represented by AH Mofazzal Karim, Deputy Chairman, SABINCO and Secretary, Ministry of Commerce and KM Ehsanul Haq, Joint Secretary, Ministry of Finance.

The meeting was also attended by directors of the Company from Saudi side Turki Mohammad Al-Sudary and Sami Al-Yousuf and

Bangladesh side Khairuzzaman Chowdhury and AFM Sarwar Kamal.

The meeting reviewed the operational performance of the Company for the year ending December 31, 1993 and the investment portfolio of the Company stood at Tk. 1,633 million comprising 36 projects.

It also reviewed the performance of three taken over projects of which two are running with profits and one is running at breakeven.

SABINCO recently undertook financing of shrimp culture projects under National Pilot Scheme with the loan of Tk. 150 million from the government of Bangladesh. The Chief Executive of Saudi Fisheries Company of Saudi Arabia is considering to come up with an investment proposal of integrated shrimp and fish culture project having processing and packaging facilities under joint collaboration with SABINCO.

## China keen to expand trade with India

NEW DELHI, June 15: A trade delegation led by Chinese Minister of Foreign Trade and Economic Cooperation Wu Yi arrived here early this morning to explore the ways and means of expanding Sino-Indian bilateral trade, reports Xinhua.

Wu Yi, who is on a three-day visit to India at the invitation of the Indian commerce ministry, will attend the fifth meeting of the Sino-Indian Joint Team for economic and trade affairs which is taking place in a few hours.

The two sides "will discuss matters of common interest relating to economic, trade and technological cooperation between the two countries," she said at the airport.

The joint team was set up after late Indian Prime Minister Rajiv Gandhi visited China in 1988 to promote bilateral trade between the two countries.

## Americans give high value at owning a home!

WASHINGTON, June 15: Americans place so high a value on owning a home that they will make many tradeoffs in order to achieve it, reports Xinhua.

Sometimes, they postpone retirement, commute long distances, turn down good jobs in a city where they have to rent, rather than own, and take a second job, if that is necessary to become a home buyer.

And anticipation of buying a home often creates a feeling of optimism for the future.

"Owning a home represents financial, psychological and familial security," said James Johnson, Chairman of the Federal National Mortgage Associ-

ation (Fannie Mae) which funded home mortgages for 3.3 million families last year.

For examples, Americans usually associate increasing levels of homeownership with broad range of positive implications for the national economy, their neighborhoods and their personal family finances.

Renters and owners say that an increase in homeownership in their area would lead to a better economy, more young people going to college, more families getting ahead financially, and greater turnout in local elections.

By an overwhelming margin, according to Fannie Mae's third annual housing survey re-

leased on Monday, more than 70 per cent of Americans prefer to live in a community where the majority are homeowners. Three out of four Americans in the survey believe that owning a home is a positive factor on one's life, and once you are able to achieve it, do so regardless of your marital status or whether or not you have children.

1993 was a good time to buy. Optimism for economy helped fuel the most dramatic year in the history of mortgage finance, with a record 1.1 trillion US dollars in mortgage originations across the country.

Although some of last year's

euphoria has subsided along with the rise of interest rates, people still believe the economy and the housing market are positive for buyers.

What is disturbing is that Americans, especially the African Americans still perceive the home mortgage system to be one that continues to discriminate.

In the Fannie Mae survey, discrimination ranks as an obstacle only behind the down payment funding affordable housing, and finding a neighbourhood in which one can confidently invest.

According to the National Association of Realtors, the average price of a new home in

the first quarter of this year was 153,000 dollars.

The contract mortgage interest rates for 30-year fixed rate mortgages reported by Federal Home Mortgage Corporation (Freddie Mae) was 7.3 per cent.

Despite the successes of the country's system of home finances, through which close to two thirds of all American families live in homes they own, people do not give the system noticeably high marks.

Lending discrimination is a blight on our industry, and one that those involved in providing mortgage finance for Americans must eradicate, Fannie Mae's James Johnson told reporters.