

WorldCom uncovers another \$2b fraud

AFP, New York

Bankrupt telecoms group WorldCom has uncovered another two billion dollars in accounting fraud, financial television station CNBC said Thursday.

The discovery in the WorldCom accounts for 1999 and 2000 brings total misaccounted funds to nearly six billion dollars, CNBC said, quoting people close to the matter.

The US Securities and Exchange Commission filed fraud charges June 26 against WorldCom, a day after it said officials had misrepresented 3.8 billion of dollars in expenses in 2001 and early 2002.

Former chief financial officer Scott Sullivan incorrectly booked operating expenses as capital

expenditures and reversed some bad debt reserves, misstating them as operating income, CNBC said.

Sullivan was arrested last week for his role in the alleged fraud, which led WorldCom to file for bankruptcy on July 21.

The company was not immediately available for comment.

Reuters from Washington adds: WorldCom, the No. 2 US long-distance telephone carrier, also said it may write off \$50.6 billion of goodwill and other intangible assets and it would reevaluate the value of its property, plant and equipment.

Such a charge would be rivaled only by the \$54 billion.

Charge taken by media conglomerate AOL, Time Warner Inc. in the first quarter of this year. That amount would be almost as big as the 2001 gross domestic products

of Hungary and the Czech Republic, according to the OECD.

WorldCom said an internal audit had discovered that \$3.3 billion in earnings were improperly recorded on its books from 1999 to the first quarter of 2002. That is on top of the \$3.85 billion in expenses the company previously said it had improperly booked as long-term capital investments, which masked a loss starting in 2001.

The deepening crisis at Clinton, Mississippi-based WorldCom could add fuel to the crisis in financial markets, which have dropped significantly in recent months.

The wave of accounting scandals, starting with the fall of energy giant Enron Corp. last fall and followed by companies including Global Crossing, Tyco International Ltd and Adelphia Communications

Corp. have rocked confidence in corporate America.

The crisis has led to high-profile arrests of several executives on criminal charges, including two accused of being at the center of the WorldCom scandal: former Chief Financial Officer Scott Sullivan and former Controller David Myers.

"The majority of the \$3.3 billion was a manipulation of reserves" which were counted as operating income, WorldCom spokesman Brad Burns told Reuters. "We're fully cooperating with the investigative bodies and we'll continue to do so until there is full resolution."

"This is just beyond comprehension," said independent telecommunications analyst Jeffrey Kagan. "The damage to WorldCom's brand is severe and it's getting to the point where it may be irreparable."

Experts shrug off US rate cut speculation

REUTERS, Washington

Federal Reserve policymakers won extra elbow room Thursday to cut US interest rates without stoking inflation after producer prices fell in July.

Few analysts expected any action when policymakers meet on Tuesday, however, despite mounting speculation that they may cut rates, already at a 40 years low, at some time to avert the threat of a "double-dip" recession.

US producer prices, a measure of inflation at the wholesale level, fell 0.2 per cent in July, dragged down by falling car and truck prices, the Labour Department said Thursday.

Core prices, which exclude volatile food and energy costs, tumbled 0.3 per cent.

"People with their eyes strictly on the equity markets are begging, cajoling and screaming for a Fed rate cut," Naroff Economic Advisors president and chief executive Joel Naroff said.

"With this type of inflation report,

the Fed could probably go to zero and it would not create whole lot of inflation. But it would not create a whole lot of additional demand either," he said.

US households were still borrowing money to buy motor vehicles, homes and other goods, he said.

Unemployment insurance claims were trending downward, indicating that the labour market was still slowly improving, Naroff added.

A four-week average of initial jobless claims dropped 7,750 to a seasonally adjusted 379,000, the lowest level since March last year, the Labour Department said.

"In other words, we have not seen a major negative wealth effect from the markets, at least not yet," the analyst said.

US share prices rose modestly, but traders said the climb was mostly in reaction to an IMF decision to extend 30 billion dollars to Brazil, where some US banks and companies are exposed.

The Dow Jones industrials

average of 30 top stocks leapt 255.87 points, or 3.03 per cent, to 8,712.02. The blue-chip index has now gained 668.39 points, or 8.31 per cent in three days.

Sal Guatieri, Chicago-based economist at Bank of Montreal, said the US producer price fall reflected a generally weak economic environment but Federal Reserve policymakers were unlikely to cut rates unless the decline spilled over into consumer prices.

"I think rates are at a low enough level to spur recovery," Guatieri said.

But essentially any further rate cuts from these already low levels would imply greater insurance against the risk of a double-dip recession," the economist said.

Bank of Montreal expected the Federal Reserve to hold the key federal funds rate target at the current 1.75 per cent, Guatieri said.

War on Iraq may damage global economy, say analysts

REUTERS, Paris

A US war on Iraq could seriously damage the global economy and hurt oil prices at a time when markets are in turmoil and growth remains stubbornly sluggish, analysts have warned.

Economic experts say military intervention would further hit investor confidence already bruised by a series of scandals in the US and the plunge of the global markets -- the only question is how hard the impact would be.

"A large-scale attack on Iraq threatens to unleash a crisis of confidence among investors, who tend to turn their backs on the market during crises and wait for better days," said Jean-Francois Daguzan of France's Foundation for Strategic Research, which carries out studies for the government. "It's a worrying prospect for the markets."

Daguzan was speaking after a

recent study by French bank BNP-Paribas warned that even a short military campaign similar to the 1990-91 Gulf crisis would increase oil prices from 25 to 40 dollars a barrel and cut world growth by 0.5 per cent in the first year after intervention, followed by 0.3 per cent in the second.

A longer conflict could double current oil prices to 50 dollars a barrel, the bank warned, wiping out a full percentage point of growth in the first year, 0.5 per cent in the second.

But Daguzan cautioned some of the more alarming predictions over oil prices may be overstated.

"The impact of the Gulf War was relatively modest because we were able to bypass Iraqi oil," he said. "These days, there are multiple production sources."

Most analysts agree, however, that a fresh crisis in the Gulf would put a heavy brake on economic confidence, at a time

when the global economy is already shaky.

Rene Desfossez of investment bank CDC Ixis said US business leaders shared fears

that any military intervention in Iraq given the added "geopolitical uncertainties" would strengthen a "widespread fall in consumer and investor confidence."



PHOTO: IBBL

Shah Abdul Hannan, chairman of the Board of Directors of Islami Bank Bangladesh Limited, presides over a board meeting of the bank held in the city on Thursday. Local and foreign directors including Professor Korkut Ozal, representative of Islamic Development Bank (IDB), Jeddah, KSA, and Mohammad Fouad Al-Khatib, KSA, were also present at the meeting.

US, UK seek to suppress Iraqi oil sales: Baghdad

REUTERS, London

The United States and Britain are deliberately trying to choke off Iraqi oil sales under the UN oil-for-food deal by overpricing the crude, a senior Iraqi oil official said Thursday.

The official said the two countries are pushing United Nations oil overseers who set monthly prices for Iraqi crude to inflate levels and drive away business -- especially in the United States, Baghdad's single biggest customer.

"The motive is very clear," the official said. "The United States and Britain are pressuring the oil overseers to set high prices so our customers have a very difficult time lifting."

Iraqi oil sales to the United States have plunged to 300,000 barrels per day (bpd) from 800,000 bpd last year -- a decline traders link

in part to uncompetitive prices set by the UN.

Levels are set to shrivel further as Iraq and its customers say prices set for US-bound shipments in July have pegged the crude far above current market value.

The UN, led by London and Washington, routinely delays approval for Iraqi oil prices until after barrels load in a bid to ensure levels are not set below market value -- a tactic designed to thwart Baghdad's illicit surcharge on oil sales.

Iraq slapped an illegal 25-30 cent fee on its oil sales in November 2000 in a bid to divert funds from UN supervision and recently cut its request to 10 cents in a bid to boost exports.

Iraq and its customers have long complained the UN policy, so-called retroactive pricing, has created price uncertainty for lifters and shrunk exports.

State marketer SOMO now has

taken the unprecedented step of writing two official letters of complaint to the world body on behalf of its lifters.

"We have done what we could to be fair to our customers," the Iraqi official said. "Based on our own assessments, the July prices are over the market."

Baghdad's original prices for July crude shipments to the United States were rejected by the UN and then revised higher by 15-35 cents.

Iraq says it "had no choice but to submit such prices, which were suggested by the (UN) oil overseers after long discussions," according to a letter SOMO chief Ali Hassan sent to the Iraqi sanctions committee which controls Iraq's oil revenues.

But Iraq's price complaints are likely to fall on deaf ears. "There is nothing to suggest we are going to review the US prices for July," a UN diplomat told Reuters.

Qwest posts \$1.1b loss

REUTERS, Chicago

Local phone company Qwest Communications International Inc posted a \$1.1 billion quarterly loss Thursday, but said it would soon announce a buyer for its telephone directory business as it races to avoid running out of cash.

Despite a narrower loss from a year earlier, analysts said they were still leery about prospects at the Denver Company, which has reported nine consecutive quarters of net losses and is the target of accounting and criminal probes.

Qwest said it is in talks with bankers to renegotiate its credit facility, but analysts said the company's inability to close the sale of its \$9 billion QwestDex directory business and weak results leave it a step closer to bankruptcy.

"Qwest is clearly at the mercy of its banks and the way its debt is currently structured, it doesn't have a prayer of meeting future principal payments," said Davenport & Co analyst Drake Johnstone, who rates the stock "sell".

US woes may limit Chinese export growth to 8-10 pc

REUTERS, Beijing

A weakening US economy is likely to limit growth in China's exports this year to between eight per cent and 10 per cent, a senior trade ministry economist said Thursday.

The forecast is gloomier than the projection of 10 per cent plus made just a week ago by China's central bank but is brighter than the ministry's May forecast of seven per cent. Exports, the lifeblood of the world's seventh-largest economy, surged by 15.1 per cent in the first half of the year as China reaped the benefits of a brisk recovery in the United States from last year's recession.

But Li Yushi, vice president of the Chinese Academy of International Trade and Economic Cooperation, said faltering consumer spending and the impact of Wall Street's meltdown pointed to a relapse in the United States and thus to a slowdown in Chinese exports for the rest of the year.