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NEWSPAPER OF THE YEAR

Hezbollah and Israel both willing to swap prisoners

Hostages exchange 'closer'

David Hirst in Nicosia and
David Hudson in Jerusalem

JAVIER Pérez de Cuéllar, the United Nations Secretary-General, said in Geneva yesterday that he thought there was now a basis for the exchange of Western hostages in Lebanon for Arab prisoners in Israel. His optimism was matched by a more upbeat mood in the Middle East and the United States.

There was no slowing of the pace of the UN-led hostage diplomacy. Mr Pérez de Cuéllar said that he expected to have another meeting today in Geneva with the Israeli envoy, Uri Lubrani, to hear Jerusalem's views on an exchange involving seven Israeli servicemen missing in Lebanon, as well as the hostages and Arab prisoners.

"The initial Israeli reaction was constructive," he said, "and I think we can build on it."

In what seems to be another breakthrough, the pro-Iranian fundamentalist Hezbollah movement, from which the hostage-taking factions derive, has reportedly agreed to hand over two of the Israeli servicemen it apparently holds. Hezbollah, a source close to it in Beirut said, had previously offered a direct exchange of the servicemen for Arabs held by Israel and its allies. "Now," the source said, "the issue of the two Israelis is a small part of the proposed comprehensive deal. It is part of a whole now."

A Palestinian guerrilla organisation, the Democratic Front for the Liberation of Palestine, reaffirmed its longstanding readiness to exchange the body of an Israeli soldier it has

in its possession for Arab prisoners.

One other Israeli serviceman, an air force navigator, may still be alive in the hands of a group owing allegiance either to Hezbollah or to the mainstream Shi'ite organisation, Amal. But the rest are presumed dead.

Asked if there was a basis for a swap, the Secretary-General said: "I think so. We know more or less what each side wants. And it is for me to bridge the gap."

The time that might take would depend largely on his meeting with the Israeli envoy today, but asked how far apart the sides were, he replied: "Not that far apart. It is not an ocean; I would say a river." The issue of the missing Israelis was "one of the main concerns", he said. "If I could solve this problem almost everything would be solved."

Another difficulty is the demand in Islamic Jihad's letter to him for the release of its fighters in prisons in Europe. Iran's ambassador to Bonn said yesterday that the kidnappers were demanding the release of the two Hamadi brothers jailed in Germany, the only two of the 20 or so Arabs held in Europe on terrorist offences who are thought to belong to the Lebanese Hezbollah. The problem of those who had been convicted was a legal one, Mr Pérez de Cuéllar said. "But in any case it is a problem that I will address when necessary."

Asked whether he and the Israelis might be able to agree on an exchange timetable today, he said it was "still a little early to talk of a calendar."

Israel is making increasingly encouraging noises. After a briefing by Mr Lubrani on his Geneva talks, the defence minister, Moshe Arens, insisted the

Israelis would take part in an overall hostage deal including Israeli prisoners. "The fact is, that organisation of the extremist Shi'ites says it's ready to reach a deal. The UN Secretary-General entering the picture gives us room for hope."

Yesterday, Yitzhak Shamir, the prime minister, said Israel would play a constructive part. He was replying to a letter from John Major on the day of John McCarthy's release calling for Israel to make an "immediate gesture" to help negotiations.

The Israelis have already said they are willing for an eventual swap of all 400 Shi'ites and Palestinians they or their proxies the South Lebanese Army hold, in return for their men. But what Israel is willing to negotiate in the interim was not being divulged. "We do not want anything to go wrong because of a single word out of place," said one official.

A defence ministry spokesman denied a Tehran radio claim that Sheikh Abdul Karim Obeid, the Hezbollah cleric whom the Israelis refer to as their "trump card", would be released by Saturday.

But Yohanan Bein, who took part in Sunday's talks with Mr Pérez de Cuéllar, said: "Yes, I agree with the Secretary-General's assessment that agreement in principle about an overall exchange can be reached within a matter of days."

In the United States, the scepticism first voiced by President Bush seems to have given way to greater hope. A White House spokesman, Marlin Fitzwater, noted "positive" aspects in Islamic Jihad's letter, among them an apparent "readiness to release all hostages."

Israel drops hint of help, **page 2**; Letters, **page 18**



Sneers of a clown... Lulla and Gemma of Archaos perform at Edinburgh. Festival reports, **page 31**

PHOTOGRAPH: GRAHAM TURNER

Labour widens lead to nine points

Guardian
ICM Poll

David McKie

CONSERVATIVES are paying the price for the run of troubles which engulfed the Government at the turn of the month.

An ICM poll carried out for the Guardian last weekend, after reports in the media and Opposition campaigns about the Bank of Credit and Commerce International, the Brixton prison escape, and sale of uranium supplies to Iraq, shows the Labour lead over the Conservatives widening to 9 percentage points.

According to ICM, more people in Britain blame the Government than blame the Bank of England or the auditors for the BCCI scandal, and 46 per cent of voters believe the Government has handled things badly.

Although headlines at the weekend switched from the Government's troubles to the release of John McCarthy, politicians had been waiting to see if voters might be starting to question the Government's competence — always one of the most crucial tests on which parties are judged.

The extent of the Labour lead, equivalent to a 10 per cent swing from Conservative to Labour since the last election and implying a Commons majority for Labour of around 40 seats, suggests that this has happened.

It adds fresh significance to the Prime Minister's moves to press Israel and other participants to maintain the process of hostage releases, which identifies him with an issue where successes are being scored and to which the public in Britain attaches huge importance.

The BCCI affair has clearly done the Government damage. Justly or not, a lot of people

Turn to **page 20**, col 1

Leader comment, **page 18**

US bank chairman quits over alleged BCCI link

Martin Walker in Washington

CLARK CLIFFORD, the former presidential adviser and defence secretary, yesterday resigned from his chairmanship of First American Bankshares Inc, citing the damaging publicity from the Bank of Credit and Commerce International scandal.

Mr Clifford, and the First American president Robert Altman, who also resigned yesterday, deny having known that First American was secretly controlled as a BCCI subsidiary.

"Mr Clifford and Mr Altman advised the board that they were taking this initiative in order to protect First American, which they have worked to build over nine years," said yesterday's formal statement, adding that the staff, clients and customers of the bank were their prime concern.

Mr Clifford and Mr Altman have not been charged with any wrongdoing, but they could face criminal proceedings if evidence emerges that they had knowledge of BCCI's secret role in the purchase of the Washing-

ton-based bank. Mr Clifford assured the federal banking regulators in 1981 that BCCI was not involved in the purchase. His reputation as the grey eminence of the Democratic Party and an adviser of presidents since the 1940s, ensured the purchase went ahead.

In fact, the group of investors who bought First American Bankshares got the money from BCCI, and later pledged the shares back to BCCI in a complex transaction. Through similar devices, BCCI took control of banks in Georgia and California. Along the way, this process enriched Mr Clifford and Mr Altman by sums which the Congressional Banking Committee was told could reach \$18 million.

The Federal Reserve's 100-page memorandum, explaining how BCCI controlled First American, says that the two men borrowed this sum from BCCI to buy shares in First American in 1986. Some of those shares were sold later for \$32 million.

Mr Clifford told the Fed that BCCI had never influenced their running of First American. Mr Clifford and Mr Alt-

man, whose testimony to the Fed has not been published, have explained their regular attendance at BCCI conferences over the years as staying in touch with their Middle Eastern shareholders.

Mr Clifford was offered the chairmanship of First American by the BCCI president Agha Hasan Abedi in 1980. Mr Clifford accepted, on condition that he was given "total control and authority", he said last year, when his links with BCCI were first questioned.

Mr Clifford's lawyers argue that the Fed's 1981 restriction on BCCI loans for the First American takeover only applied to that transaction. Congressional investigators are also focusing on two other issues which spell more complications for Mr Clifford and Mr Altman: whether the faltering BCCI drew money from First American to stay afloat, and whether US officials were bribed to wink at the stealthy expansion of BCCI into the American banking system.

Petition for second BCCI liquidator, **page 20**;
Bangladesh bribes, **page 11**

John and Norma sip sangria in shade of suspect sausage

Patrick Wintour

JOHAN Major and his wife Norma were revealed yesterday as holiday practitioners of Old Spanish customs, including drinking sangria, sitting by the swimming pool and "lying down a bit after lunch".

Interviewed for the celebrity magazine Hello! while on holiday in Candeleda, 120 miles south of Madrid last week, John and Norma reveal they have stayed near that village three times in as many years at the home of Foreign Office minister Tristan Garel-Jones.

The locals, it is said, have been won over by the couple's "simplicity and charm on their trips to the bakery".

Asked what sort of life he led on holiday, Mr Major told Hello!: "Well, first of all I get a bit more sleep than I'm used to. I've even been known to have a Spanish siesta! And a very good invention it is too."

"The Spanish are a very warm people," he added. "When I became Prime Minister I received a number of charming letters from Candeleda — even a sausage."

If so, the Ministry of Agriculture believe he should hand it in to the authorities at once since, notwithstanding Spanish customs, the import of any uncooked Spanish sausages breaches British customs regulations. But then neither John nor Norma speaks Spanish, so on their shopping sprees he presumably uses sign language or well-known English phrases like "very satisfactory, if I may say so".

Mr Major admitted to Hello! that on this visit, now that he had been promoted, he was a bit worried about



going into the village. "In previous years we were able to go down and do our own shopping," he revealed. "I hope very much we shall be able to do the same this year, although we don't want to create a commotion."

But the couple took the risk and went anyway. Attired as Man at C&A, Mr Major entered the town sporting an open-necked, striped T-shirt. He also took the precaution of wearing his T-shirt outside trousers, thereby disguising one of his most instantly recognisable trademarks — his shirt tucked into his slippers.

But in the town, sipping a sangria described by Norma as "a sort of wine and fruit cup", the charismatic couple were soon spotted. Mobbed by excited Candeledians as they strolled the streets eating ice-cream, Norma bought souvenirs — "a place mat and a pair of shoes".

Asked by Hello! if he had work to do on his holiday, Mr Major replied: "Well, it never goes completely away" — believed to be a reference

to the Home Secretary, Kenneth Baker, who had been repeatedly ringing for assurances he was not about to be sacked. Mr Major went on: "I have some background reading to do and I am in touch with the office" — believed to be a reference to Downing Street.

Mr Major said he liked the solitariness of El Catelejo, Mr Tristan Garel-Jones's eight-bedroomed, two-storey country house. "The terrace here at night is a joy. The sky is clear, the temperature drops and we both just sit out and read and talk."

The only noises to shatter the calm were the sound of the Capra Hispanica, a rare ibex that stalks the Gredos range, and the persistent ring of the telephone. "Señor Baker en la línea."

Leader comment, **page 18**

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GREENPEACE

DOLPHINS DROWNED

Greenpeace is campaigning against the use of large drift nets which drown hundreds of thousands of dolphins each year.

The UK has said it will support an EC ban on these nets, but has done nothing to stop British fishermen using them. So Greenpeace must persuade the Government to turn its word into action.

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News in brief

Italy raises refugee siege

A planned police assault on 1,200 Albanian refugees besieged in a stadium in Bari, Italy, has been abandoned after a decision that they may be able to stay in the country. **Page 6**

Yugoslav truce fails

The Yugoslav ceasefire was on the brink of failure last night as heavy clashes were reported in

eastern Croatia. **Page 6**; Eye-witness, **page 20**

SA private armies fear Inkatha has threatened to create its own army if Pretoria does not prevent its rivals from mobilising. **Page 8**

Highlands trail The Western Highlands is one of Europe's most tempting drug smuggling routes. **Page 2**

Kurd against Kurd Iraqi-Kurd guerrillas are to join

forces with Turkey against separatist Turkish Kurds, following an aid deal. **Page 8**

Prospects vandalised Arson and vandalism are aggravating the bill for repairing Britain's schools, the National Audit Office says. **Page 5**

Seawater risk Seawater at beaches declared clean to EC standards still contains dangerous viruses, the Consumers Association claims. **Page 4**