RIYADH, Sept 7: Pakistan's Foreign Minister Sartaj Aziz arrived here yesterday ahead of a meeting between Pakistani and Islamic Development Bank (IDB) officials on a 1.5 billion dollar loan, the official SPA news agency said today, reports

It was not clear if the foreign minister would himself participate in the Pakistan-IDB meeting which is scheduled for Wednesday in the Red Sea port of Jeddah.

The meeting is expected to produce a final decision on a 1.5 billion dollar rescue package provided by a large consortium of Arab banking and financial institutions overseen by IDB.

IDB has 52 member states. including Pakistan, with the largest contributions coming from Saudi Arabia and Kuwait.

Established by the Organisation of the Islamic Conference in 1973, it funds economic · development in member states and Muslim communities in

non-member states. Pakistan, which has about 32 billion dollars of debt, has faced severe financial problems since economic sanctions were imposed following its nuclear tests in May, in response to arch rival India's nuclear tests.

Japan's ruling party, Opposition closer to compromise on bank bill

TOKYO, Sept 7: In the latest sign Japanese lawmakers are moving toward a compromise on key banking legislation, a top official of the ruling party said he's willing to consider tougher rules for using public funds to bail out failing lenders. a news report said Monday, according to AP.

Yoshiro Mori, the Liberal Democratic Party's secretarygeneral, said he was open to opposition party demands for greater bank disclosure as a condition for using public money, the Asahi newspaper reported.

"If we're using public funds, we must make the rules strict. If there's something we think is right in what the opposition parties say, we want to make new rules," Mori was quoted as saying.

An LDP spokesman refused to comment.

Mori also indicated his party is willing to spend more than the currently budgeted 13 trillion yen (\$ 100 billion) to bail out large banks, the report

New legislation for cleaning up the banking industry's bad loan problem is at the center of Prime Minister Keizo Obuchi's efforts to revive, Japan's recession-bound economy.

But the use of public funds has been a point of contention between the LDP and opposition parties, who share control of the upper house of Japan's bicameral parliament and must compromise for bills to pass.

The LDP has proposed using public money to engineer a "soft landing," forcing banks to clean up their books once and for all without letting large banks fail.

For its part, the opposition has softened initial resistance to the use of taxpayers' money.

A key opposition party, the New Peace Party, now says it will support the LDP if it requires banks receiving public money to fully disclose their financial problems and hold executives responsible for any misdeeds.

Georgian currency falls sharply

TBILISI, Georgia, Sep 7: Georgian President Eduard Shevardnadze sought to reassure his jittery countrymen Monday that the nation's financial situation was stable despite a sharp fall of the national currency, reports AP. Responding to the economic

and political crisis in Russia, the Georgian lari fell to as low as 1.7 to the US dollar on Sunday afternoon from 1.38 over the previous week.

Many Georgians rushed to the exchange points to buy dollars, fearing a further drop. With prices in stores across the capital Tbilisi rising by 10 to 20 per cent, many also were stocking up on consumer goods, trying to spend as much devaluing lari as possible.

Georgia, a former Soviet republic, had been largely unaffected by the Russian crisis. But many Georgians are engaged in shuttle trade or work and have businesses in Russia, and feared that economic conditions would deteriorate.

Shevardnadze, in his traditional radio address Monday said the lari's downfall was caused by a "psychological fac-

"Upon a detailed anlaysis we have come to a conclusion that there are no grounds for the fall of the lari rate," he said. "No financial hurricanes on the territory of neighbouring nations will damage the lari.'

National Bank chief Irakli Managadze also issued assurances and insisted that the lari was stable.

"That was an artificial rate ... an ordinary speculation that created panic," Managadze said on national television. "I want to assure you that today after a trading session at the interbank currency exchange every-

thing will settle down. Street currency trading, however, remained suspended early Monday as traders expected the results of the exchange's session to be announced in the afternoon.

WB to stamp out corruption in Indonesian aid projects Pakistan drafting tough reforms to shore up crumbling economy

ISLAMABAD, Sept 7: Pakistan is drafting tough reforms to shore up its crumbling economy and raise the \$4.5 billion needed to cover its balance of payments deficit, a high-ranking government official said Monday, reports AP.

The economy of this southern Asia nation of 130 million people is burdened with \$32 billion in foreign debt, a desperate shortage of foreign currency and by international economic sanctions imposed after it tested a series of nuclear devices in May.

A six-member team from the International Monetary Fund and the World Bank are expected in Islamabad on Sept 11 to discuss outside economic support. The team is likely to

KARACHI, Sept 7: Foreign

investors have withdrawn more

than 175 million dollar from

stock markets in Pakistan after

Islamabad launched action

against independent power

projects and conducted nuclear

tests in May, the Karachi Stock

Exchange said yesterday, re-

dependent Power Projects

(IPPs), mostly run with foreign

collaboration, to voluntarily

reduce power tariff rates from

the government served notices

to 21 IPPs to submit an affi-

davit that they did not bribe of-

ficials for obtaining contracts

during the former government

of sacked Premier Benazir

Under a presidential decree,

6.6 US cents to rates.

Pakistan in April asked In-

ports AFP.

Bhutto.

demand tough austerity measures in Pakistan, including government layoffs and tax

"Prime Minister Nawaz Sharif will announce an economic revival package (during the) next week or so aimed to bring fundamental structural reforms in the economy." Ahsan Iqbal, deputy chief of the national planning commission, told The Associated Press.

He said the package would include programmes to stimulate industrial, natural resource and agricultural production, boost exports and reform government institutions and legislation. Iqbal would not give details until the package is

"Without revamping our in-

Foreign investors withdraw over

Later it also cancelled some

power deals on charges of cor-

ruption. Bhutto's three-year old

government was sacked in

November 1996 by then Presi-

dent Farooq Ahmed Leghari on

Prime Minister Nawaz

The action against IPPs was

Sharif suspected wrongdoing in

power deals signed during the

a "major blow" for foreign in-

vestors, a report from Abn

Amro Securities, a subsidiary

of the Netherlands-based, Abn

the contract had sovereign

guarantee from the government

of Pakistan, analyst Osama Bin

Shoaib said adding "It changed

"It was a breach of trust" as

Bhutto government.

Amro group said.

the whole scenario.

charges of misrule and corrup-

75m from Pak bourses

stitutions, slashing down the administration, removing distortions in our laws and (exercising) good government. we would be back to square one even if we get foreign loans," he

Pakistan depends on foreign aid to cover its budget deficit. and was jolted when the IMF stopped the one payment of a phased, three-year, \$1.56 billion loan package as part of economic sanctions following the nuclear tests.

On Friday, Hafeez Pasha, the prime minister's finance adviser, said Pakistan now needs \$4.5 billion to cover its balance of payments gap, and hopes to raise the money at home and through such global lenders as the IMF.

Also, the freeze on dollar ac-

counts following the May 28

nuclear tests in response to In-

dian detonations two weeks

earlier, depleted foreign ex-

change reserves and con-

tributed to the flight of capital

from the stock market, he

to a record low of 128.76 points

or 13 per cent when the market

opened on June 1, three days

after the nuclear tests and the

prices of blue chips declined

power company Hubco fell by 82

per cent, state-run PSO 78 per

cent, ICI (Pakistan) 43 per cent,

Lever Brothers 49 per cent.

Shell Pakistan 38 per cent and

Public Sector PTCL 30 per cent

during this period.

Shares of the UK-based

Pakistani stocks nose-dived

added.

manifold.

Pakistan is expected to face tough conditions for a bailout package from the IMF, including sharply increased utility rates, a broader tax base, imposing taxes on agriculture and speeding up the privatisation of

state institutions. But Iqbal said Pakistan needed to revamp its economy

"We are not doing this on some external pressure or over the dictates of the IMF. We are carrying out these steps because we think they are right," he

Both Pakistani and IMF of ficials have said they hope a bailout package can be agreed on during meetings in Islamabad, and approved next month by the IMF board.

Will fuel from

water miracle

Ramar Pillai, 34, told re-

porters here he was now pre-

pared to commercially produce

about 500 litres of "herbal fuel"

a day at his plant near this

Pillai said from October 3 he

would daily sell "petrol-like

herbal fuel" at 15 rupees (about

35 cents) a litre and "diesel-like

herbal fuel" at five rupees (about

12 cents) a litre-much below

my fuel free of cost to journal-

ists, government officials and

scientists so that they can test it

themselves on their vehicles

and tell the world my fuel has

in 1996, that he could turn wa-

ter into petrol created a sensa-

tion out were rejected by Indian

scientists when he failed to

produce the fuel in a govern-

Malaysian share

prices surge

Malaysian shares resumed

their upward surge on Monday

with aggressive buying from lo-

cal institutional investors.

some linked to the government

said the government's invest-

ment arm, Permodalan Na-

sional Bhd, the Employees

Provident Fund, and the pil-

grims' fund, Tabung Haji, were

shares Monday morning.

all seen actively purchasing

At noon, the Composite In-

dex, which tracks 100 blue-chip

Ousted finance minister

stocks, stood at 456.29 points,

Anwar Ibrahim, stripped of his

post last week on sexual mis-

conduct allegations, on Monday

said he welcomed the market

market or currency fall," said

Anwar, who for months defied

Prime Minister Mahathir Mo-

hamad's loose economic policy.

the (government) institutions

have come in a big way," Anwar

added. "I'm not precluding the

pate, but they should be free to

decide objectively to protect the

Apart from the larger funds.

Last week, the Kuala Lumpur

speculative retail players were

also seen pushing up the index.

Stock Exchange announced re-

strictions on stock transac-

tions, which effectively banned

trading in its shares outside the

manipulating the market

mostly sidelined on uncertain-

ties, local investment funds,

corporations and stock market

traders are taking advantage of

what they see as a domestic

rally and perhaps inevitable

While foreign investors are

Lumpur based trader said.

interest of investors.

traders said

country.

bull run.

right of institutions to partici-

don't rejoice in seeing the

"It is well understood that

up 92.85 points or 26 per cent.

A Kuala Lumpur based trader

KUALA LUMPUR, Sept 7:

Pillai's earlier claims, made

"From this week I will give

cals, reports AFP.

southern Indian city.

market rates.

finally arrived.

ment laboratory.

reports AP.

JAKARTA, Sept 7: The World

Bank said Monday it is trying

to stamp out corruption that

critics allege has eaten away at

its Indonesian aid projects,

In an opinion piece pub-

lished in several Indonesian

newspapers, bank officials

skirted a charge that some 20

per cent of money meant for

projects in Indonesia had been

siphoned off by corrupt In-

had to "honestly evaluate his-

tory, including our own suc-

whether 20 per cent of develop-

ment funds were or were not

misappropriated; figures such

as these are the roughest of

rough estimates," the officials

corruption is widespread in In-

donesia and it poses a major

"What really matters is that

However, they said the bank

"The central issue is not

donesian officials.

cesses and failings.

Rio Group seeks rich happen! MADRAS, India, Sept 7: An Indian villager who once nations' help claimed he could turn water into petrol reiterated here today he had firmed up the miracle with secret herbs and chemi-

PANAMA CITY, Sept 7: Latin American markets are being rattled by the Russian and Asian economic crises, but a meltdown can be avoided if industrialised nations take proper steps, regional leaders said its weekend, reports AP.

Latin American leaders urged the world's seven most-industrialised nations and world financial groups."to immediately take the necessary steps to restore stability and guarantee

Financial worries were the

per cent midday slide on Fri day, prompting markets and

Ernesto Zedillo arrived for Saturday's gathering, he suggested the group focus on the financial

In addition to the group's 59point declaration on a wide range of regional concerns, it added a seven-point declaration on the financial turmoil.

"So far, the costs of this instability are manageable in the measure that we have not seen an economic contraction in the United States or Europe. Zedillo said as the summit wrapped up late Saturday.

Economic crisis rattles L America

government.

The 14-member Rio Group of

growth of the world economy".

top priority of the annual summit after Latin America's largest market, the Sao Paulo Stock Exchange, suffered a 14

currencies across the region to tumble. When Mexican President

obstacle to economic growth

and fairness. Wherever it is

found, it must be stamped out,"

ington-based bank was consid-

ering stepping up independent audits of aid projects and estab-

lishing a project watchdog

President Jean-Michel Sev-

erino and its Indonesia director

Dennis De Tray said the watch-

dog committee, if established,

would take in non-governmen-

tal organizations, "Other mem-

bers of civil society and in-

creased use of independent au-

dits and international public

De Tray and Severino said

They said the fight against

corruption would "continue to

be a major priority in our dia-

sector reform specialists."

The officials, the bank's Vice

The article said the Wash-

they said.

committee.

Japanese stocks soar, dollar tumbles

TOKYO, Sept 7: Japanese stocks soared Monday in their second-largest gain of the year as lawmakers edged closer to an agreement on a banking system bailout and other Asian mar-kets railied. The dollar tumbled against the yen, reports AP. The benchmark 225-issue

Nikkei Stock Average closed at 14.790.06, up 747.15 points, or 5.32 per cent — the most it has gained in one day since Jan 16. On Friday, the average had lost 218.33 points, or 1.53 per cent. Meanwhile, the dollar

bought 131.99 ven in late afternoon, down 3.42 yen from late Friday in Tokyo and below its late New York level of 133.57 yen Friday.

The twin gains by Japan's currency and stocks offered a brief glimmer of hope to a country grown accustomed to grim news about its economy.

But traders were quick to say that it was too early for optimism about a sustained rally in the world's second-largest financial markets. Economic growth remains stagnant, and consumer spending shows no sign of recovery.

"The fundamentals haven't changed, but sentiment has, said Ryohei Muramatsu, treasury manager at Commerzbank in Tokyo. Still, lawmakers from the

governing party and the opposition appeared to be nearing compromise on a plan to use public money to clean up what many consider Japan's biggest problem: the bad loans burdening its banks. A Liberal Democratic Party

official was quoted Monday as saying his party was willing to accept opposition demands for "They're closing the door and greater disclosure from banks. A lead opposition group, the New Peace Party, has signaled it themselves," another Kuala will back LDP bills if such disclosure is required.

Investors in Japan also welcomed the strong showing by stock markets across Asia, which is their country's largest export market. Hong Kong's blue-chip Hang Seng Index closed the morning session up 7.6 per cent, and Malaysia's Composite Index jumped 26 per cent before noon.

An estimated 503 million shares traded on the first section of the Tokyo Stock Exchange, up from Friday's 448 million. Gainers overwhelmed decliners about 5-to-1.

The broader Tokyo Stock Price Index of all issues listed on the first section of the exchange rose 38.18 points, or 3.49 per cent, to 1,132.65. It had declined 19.30 points, or 1.73

per cent, Friday. The yen surged to a fourmonth high against the dollar on new signs investors won't earn the kinds of returns they used to in US assets.

On Friday, US central bank chairman Alan Greenspan hinted at a possible cut in interest rates to keep the American economy from slipping into recession because of global economic problems. The Dow Jones industrial average is already off almost 2,000 points from its 1998 high.

The yen's sustained strength surprised many, who thought the rally would soon sputter because of the Japanese economy's weak fundamentals. The gains have sent many investors scurrying to dump their weakening dollars - driving the Japanese currency up even fur-

"People who want to lock in profits are rushing to sell off the dollar, and although we've been expecting such selling to subside, it hasn't, so people are panicking," said Takuma Kurosawa, chief foreign exchange manager at Mitsubishi Trust and Banking.

The yen traded as low as 134.67 yen to the dollar and as high as 131.45 yen. The dollar hasn't been below 132 yen since May 6.

The yield on the benchmark No 182 10-year Japanese government bond fell to 1.040 per cent from Friday's finish of 1.070 per cent, driving its price up to 112.83 yen from 112.61

The very fact that the mea-

"We've been raising our risk

sures coincided with Anwar's

humiliation lent a disturbing

ratings," said Bruce Gale of po-

litical and economic risk con-

sultancy in Singapore." The

risk is that we might find more

unorthodox economic mea-

sures being introduced by the

government at very short notice

that could impact very nega-

tively on the business envi-

Many analysts said they

political note.

ronment."

the bank had begun discussing this plan with the Indonesian

country's economic mismanagement and frail banking system before Asia's financial meltdown erupted last year. The World Bank's soul-

searching comes as the Indonesian government also moves to show its commitment to cracking down on the corruption, collusion and nepotism that characterized much of the rule of former president Suharto.

logue with the government and

The Wall Street Journal re-

will have a significant influ-

ported last month that Indone-

sian officials were believed to

have taken more than 20 per

cent of bank project money al-

located to the sprawling South-

Bank internal memorandum

detailing large-scale corrup-

the World Bank has been

sharply criticized for not

blowing the whistle on the

The newspaper cited a World

Long present in Indonesia.

ence on future lending."

east Asian nation.

mer trade minister and longtime associate of former President Suharto testified Monday about alleged misuse of central bank funds, police said.

Hasan told government prosecutors that he used Bank Indonesia funds earmarked for a bank he owns to finance part of his paper industry. PT Kiani

Authorities are investigating widespread allegations of corruption by Suharto's clan and associates during his 32 years in power. Critics say their monopolistic practices contributed to Indonesia's worst economic turmoil since

of Suharto, was questioned at national police headquarters Monday, said police Sgt. Parfi. Details of his testimony were not immediately available.

if the assets of his closed bank, Bank Umum Nasional, aren't sufficient to cover the liquidity assistance that it received from the central bank.

lion-dollar aid package for Indonesia.

ministers meet in Singapore this week

SINGAPORE, Sept 7: Transport ministers of the Association of Southeast Asian Nations and 70 senior officials from the nine countries will meet in Singapore this week, says AP.

The annual meeting, scheduled for Wednesday and Thursday, aims to improve cooperation within ASEAN to facilitate the movement of goods, vehicles and people within the region, the Singapore government

Such cooperation will im prove Southeast Asia's competitiveness, said a government statement.

Media privatisation

Philippines orders sale of seized TV networks MANILA, Sept 7: President

Joseph Estrada has ordered the rapid sale of two governmentseized television stations and a popular newspaper chain to reduce a swelling budget deficit, an official said Monday, reports AP. The media companies are

among a variety of corporations that were seized from close associates of the late dictator Ferdinand Marcos after his ouster 12 years ago. Press Secretary Rod Reyes

said the government hopes this year to auction the two TV stations - Intercontinental Broadcasting Corp. And Radio Philippines Network — and the Journal group of companies, which publishes tabloids and a broadsheet.

Estrada has ordered the companies to coordinate with government agencies to draw up auction plans, Reyes said.

However, in most cases the former owners of the companies have challenged the seizures in court, and ownership questions must be settled before the government can proceed with the sales.

Last December, the Supreme Court blocked a scheduled auction of IBC after a petition was filed questioning the government's right to sell it. After turning a small sur-

plus in 1997, the government's budget is expected to slide into a deficit of 40 billion pesos (930 million dollars) this year, according to government officials. The International Monetary Fund has projected, however, that the deficit could reach 50 billion pesos (1.2 billion dol-

Malaysia withdraws into an economic shel dampen economic growth. to Mahathir's defensive strengthened after the controls dollar. KUALA LUMPUR, Sept 7: the controls was symbolised by reflexes.

Once one of Asia's tigers, a mauled Malaysia has withdrawn into an economic shell, work.

reports Reuters. After standing by for 14 months while Asia's financial crisis pummeled the economy, Prime Minister Mahathir Mohammad has moved beyond his trademark fulminations and imposed capital controls that mark a dramatic U-turn in pol-

The immensity of Asia's crisis was writ large in the decision. Malaysia, which built its stunning growth of the past decade on open markets and capital convertibility, has all but turned its back on financial

freedom. "Malaysia's destiny is now firmly in its hands," said markets consultancy firm MMS said after the announcement of the controls, which ended free convertibility of the ringgit and pegged the ringgit at 3.80 per US

hinted at an interest rate cut to prevent a US recession.

The verdict is still out on whether the measures will

The US dollar against Japanese yen is briefly quoted as low as 131.85 yen as the US

currency tumbled in the week's opening trading at the Tokyo Foreign Exchange Monday.

The dollar plunged to a four-month low after Federal Reserve chairman Alan Greenspan

What is indisputable is that the stakes, both for Mahathir

and his nation, are huge. Since the outbreak of the crisis. Mahathir has been able to point a finger of blame at others — speculators, financier George Soros, the International Monetary Fund, the central

bank. His former finance minister, Anwar Ibrahim, who steered economic policy during the first year of the crisis, was sacked last week and faces possible arrest over sexual misconduct and obstruction of justice. Anwar

denies the allegations. The new policy is covered with Mahathir's fingerprints, and he would be hard-prepassed to dissociate himself politically from its consequences, good or

His personal commitment to

his decision to add insult to Anwar's injuries and take on the Finance Ministry portfolio himself.

- AP/UNB photo

Mahathir, who is already Home Minister, said he is not likely to replace Anwar as Deputy Prime Minister, concentrating even more power in his hands and, in departure from tradition, leaving the line of succession clouded with doubt.

Will the measures work? Many think they will. "It's easy to be negative, but this might just work," said Fong Seng Wun, regional economist at G K Goh Research in Singapore.

Influential columnist a Kadir Jasin wrote the new Sunday times that the "Shocking measures have shown promising signs of working out. Between Wednesday and Fri-

day, the Kuala Lumpur stock ex-

change's blue chip index surged

35 per cent. The ringgit

were announced and was pegged at 3.80 per dollar, a level it had not reached since May.

Most economists warned that while the controls could insulate Malaysia from financial turbulence for a short time. they could lead to distortions over time and prove counterproductive unless accompanied by reforms.

"Capital controls are all very well, but not if they're a replacement for financial and economic reform," said Callum Henderson, an emerging markets analyst at Citibank in London. Rating agency Fitch Ibca

said capital controls would depress banks' foreign exchange earnings and hurt their stockbroking units, but lower interest rates would be beneficial in the short term by reducing the risk of default by borrowers.

But in the longer term, reduced capital inflows could

Standard and Poor's — one of Mahathir's favourite targets said the new policies would

likely discourage foreign investor interest, at least in the short term. The rating agency said banks would have to rely more on Danamodal Nasional Bhd, set up to recapitalise banks. That will require large sums

from government or state agen-Even economist Paul Krugman of the Massachusetts Institute of Technology, whose recent qualified support for capi-

an alternative. attempt to prove points about the soundness of the pre-crisis economy, or about the wickedness of hedge funds, or anything else," he said in a clear reference

were worried the government tal controls was widely noted in would use the controls as a Malaysia, said there were risks. Krugman said controls must serve as an aid to reform, not as "It should not be used in an

shield for propping up politically powerful businessmen at the expense of banks' balance sheets.

"Out side investors are going to be very wary of going into Malaysia," said Ronald Stride, Senior Vice President of Booz-Allen and Hamilton.

Misuse of bank fund Another report says: A for-

Last week, Mohamad "Bob" Kertas.

the 1960s. Hasan, once a golfing buddy

Hasan has said he would willingly hand over his wealth

Hasan's bank was one of three troubled banks closed by the Indonesian government on Aug. 21 as part of reforms to the banking system required by the International Monetary Fund. The IMF is leading a multibil-

President BJ Habible has promised to curb corruption in the wake of the resignation of Suharto, who was forced out by riots, student protests and the desertion of his political al-

ASEAN transport