

Pak WAPDA  
reeling under  
huge losses

By Syed Talat Hussain

Islamabad, Mar 20: Water and Power Development Authority (WAPDA), the government controlled institution responsible for meeting the electricity demand of the country, seems to have become hostage to power defaulters, creating fears that it might collapse taking the country's fragile economy with it.

According to new estimates, different government institutions and federal bodies owe around 67 billion rupees to Wapda, which has ruined the financial viability of the organisation and has kept it in state of permanent loss. What is worse increasing demands by the federal minister for Water and Power Gohar Ayub Khan on these institutions have not gotten a positive response.

The frustrated and angry federal minister Friday threatened to disconnect electricity to all the defaulters.

"If they do not pay up the arrears the only option left for us is suspend power supply to them. I am also under moral pressure to disclose the names of the defaulters in the National Assembly," said the Minister.

Almost everyone owes to Wapda – the federal government, the four provinces, nearly eight ministries including the ministry of defence, and even the government of Azad Kashmir.

Unable to set the mess of Wapda right through the normal methods, the government three months ago took the decision to hand over its organisation to the Army which is now running a campaign to catch electricity thieves and defaulters. So far, several federal ministers, members of the federal and provincial legislatures and prominent politicians have been found to be involved in misappropriation of electricity. This has not improved in the financial situation of Wapda, however, which is still in the red.

IBBL's Comilla  
zone branch  
managers' confce held

Islami Bank Bangladesh Ltd (IBBL) held a day-long Branch Managers' Conference of its Comilla zone on Friday at the auditorium of Bangladesh Academy for Rural Development (BARD). Comilla, says a press release issued yesterday.

Malaluddin Chowdhury, Executive President of the bank, was present in the conference as the chief guest and M Tajul Islam, Executive Vice President, was present as the special guest.

Presided over by Golam Mowla Chowdhury, Vice President and in-charge of the Comilla zone, the conference was attended, among others, by Habibur Rahman Bhuiyan, Vice President of the Central Accounts Department of the bank.

140m urban China  
jobless to come  
under insurance  
network

BEIJING, Mar 15: China's expanding unemployment insurance network is expected to cover all the country's 140 million urban employees by June, suggests Ren Zemin, Director of the Ministry of Labour and Social Security's Legal Department, says Xinhua.

A newly-released regulation on unemployment insurance is expected to encourage a free flow of talent and labour and help with the reform of state-owned enterprises, today's China Daily quoted Ren as saying.

The regulation requires urban enterprises and institutions and their employees to establish an unemployment insurance fund, which also will receive state funding.

Enterprises are required to pay 2 per cent of their employees' salaries while the employees should contribute 1 per cent of their wages to the fund.

Created in 1986, the unemployment insurance system now covers 79.6 million people, 85.4 per cent of whom are working for state firms, said Mao Jian, Director of the Ministry's Employment Department.

The country's unemployment rate is unlikely to drop in the coming few years because the state sector will shed redundant labours, Ren said.

China's registered urban unemployment rate is 3.1 per cent. The figure does not include the 6.09 million laid-off workers who are being taken care of by re-employment centres set up within their original enterprises.

These centres were introduced earlier as a three-year transitional shelter for laid-off workers, as China has not had a sound social insurance system until now, said Mo Rong, Associate Professor of the Institute for Labour Studies.

The centres pay the laid-off workers a monthly subsidy ranging from 140 yuan to 380 yuan. The disbursement is paid by the government, the unemployment insurance fund and enterprises.

Since the government plans to complete the reform of state-owned enterprises by 2000, these enterprise-based re-employment centres are expected to disappear by the end of 2003. Mo said.

Laid-off workers who fail to find a job by that time will get payments from the unemployment insurance fund for a maximum of two years.

## Charges of improper use of fund

IMF was right in giving  
loans to Russia: Rubin

WASHINGTON, Mar 20: Treasury Secretary Robert Rubin said Friday the International Monetary Fund made the right decision last summer in providing emergency loans to Russia even if part of the money ended up in foreign bank accounts held by rich Russians, says AP.

Speaking to a conference on how the news media cover financial matters, Rubin sought to clarify remarks he made to Congress on Thursday in which he seemed to indicate that much of the \$4.8 billion in loans "may have been siphoned of improperly."

My point was not to suggest that anything improper happened, Rubin said. He said he was simply trying to describe the pressures that exist when frightened investors are trying to sell off their holdings and flee the country.

In the type of crisis that Russia was experiencing last summer, the IMF emergency loans are designed to bolster confidence and halt the capital flight by reassuring investors that the government has enough in financial resources to support the IMF by the IMF last year.

Russian Prime Minister Yevgeny Primakov plans to visit Washington next week, and his government hopes to complete negotiations with the IMF at that time for new loans.

The \$4.8 billion was used by

the Russian central bank to intervene in the chaotic financial markets by buying up rubles that nervous investors were selling.

IMF critics have charged that the \$4.8 billion were wasted and the IMF resources simply flowed into the hands of wealthy Russians who were selling rubles for dollars and other currencies which they transferred to Switzerland and other safe havens.

Rubin said he had no way of knowing how much of the IMF resources were used in that way. But he said the IMF rescue failed not because of the actions of wealthy investors but the lack of approval by the Russian parliament of the economic reforms needed to restore confidence.

While saying the IMF made the right decision in extending the loans last summer on the expectation that the Russian parliament pass the economic reform package, Rubin stopped short of saying whether Russia should now get the next installment of the \$22.1 billion in emergency support assembled by the IMF last year.

Asked about the rumours at his news conference, Clinton said: "He has served well. I hope he will stay."

"I believe the rest of the world has a tremendous stake in the financial success of Russia," Rubin said. But he stressed that it would be up to the IMF to decide whether Russia had made enough progress in stabilizing its economy to receive more support from the lending agency.

Asked at a news conference Friday whether he would support a new installment of IMF funding, President Bill Clinton replied: "I am hoping we can reach an agreement which will permit the IMF programme to go forward because I think that is important."

But it will only work if the money doesn't turn around and leave the country as soon as it's put in," Clinton added.

On a separate subject on whether he was considering leaving the administration soon, Rubin gave his standard reply that he remained focused "on the issues in front of me."

Rumours about Rubin's possible departure reappeared in financial markets on Friday. Wall Street investors give Rubin a great deal of credit for the economic prosperity the country is now enjoying.

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M Kamaluddin Chowdhury, Executive President of Islami Bank Bangladesh Limited, addresses as chief guest a day-long Branch Managers' Conference of Comilla zone of the bank at the BARD auditorium, Comilla, on Friday. —IBBL photo

Rebuilding of 'tiger' economies  
may face considerable risk

HANOI, Mar 20: Southeast Asian finance ministers ended a two-day meeting in Vietnam today with cautious forecasts of recovery from the crisis that has plunged the region into deep recession over the last two years, reports Reuters.

But the ministers from the Association of South East Asian Nations (ASEAN) warned that considerable risks lay ahead that could derail the rebuilding of the former "tiger" economies.

"We are confident that 1999 will witness improved economic prospects for the region," they said in a joint statement.

The statement welcomed recent developments such as currency stability, current account surpluses and lower interest rates but cautioned that many challenges lay ahead.

Industry officials said, however, that the gains in the last two months didn't reflect a turnaround in Japan's ailing economy, attributing them instead to the extremely low level of sales last year.

Imported passenger car sales rose 6.0 per cent to 22,390, while imported truck sales plunged 58.2 per cent to 421, the Japan Automobile Importers Association report said.

The figures included vehicles produced abroad by Japanese automakers.

Imports rose 3.0 per cent in January, the first gain since March 1997.

By country, sales of cars from the United States rose 38.4 per cent to 5,349, while imports from Germany gained 3.7 per cent to 12,423.

Imported vehicle  
sales rise in  
Japan

TOKYO, Mar 20: Sales of imported vehicles in Japan rose for a second straight month in February, climbing 3.1 per cent from a year earlier to 22,811, an industry group said, reports AP.

Given the important role credit rating agencies play in the international financial markets, there should be greater transparency in the rat-

ing process," the statement said.

Some ASEAN countries, most notably Malaysia, have criticized the rating agencies over their country reports, which they say have influenced the decision of many investors to withdraw portfolio funds.

The communiqué also highlighted a new regional economic surveillance mechanism designed to be an early warning of future financial turmoil. The mechanism, the ASEAN surveillance process, is designed to ward off more financial misery.

Economists have welcomed the body but ASEAN has yet to finalise details of the system.

Officials have not yet decided what type of financial data would be compiled by the mechanism. ASEAN countries will also not be compelled to supply data.

Ministers said they wanted more information on markets and capital flows but were not recommending intervention in free markets, which they said would be "counter-productive."

"We do agree and uphold the view that we should pursue a market-friendly policy towards investors and market participants," Thai Deputy Finance Minister Pitis Leelatam told a news conference at the end of the meeting.

Singapore Finance Minister Richard Hu agreed: "There is not a suggestion that we are recommending regulating hedge funds. You can't regulate them anyway...I don't think regulation can work."

Taking New York as the base with 100 points, the latest report gave Tokyo 165.5 points, well ahead of last year's leader Hong Kong with 153.3, Beijing was just behind with 152.1, followed by Osaka with 144.4 and Shanghai on 140.3.

## Metal: Weekly Roundup

## Gold slips as Clinton backs IMF reserve-selling idea

LONDON, Mar 20: Gold prices fell sharply this week after US President Bill Clinton backed an idea to sell off part of the International Monetary Fund's reserves to cover the debt of poor countries, reports AFP.

The gold spot price on the London bullion market fell to 292.80 dollars an ounce from 292.75 dollars.

Clinton's comments during a US-Africa summit on Tuesday were the latest support for putting a small part of the IMF reserves on the market, an amount that would still be enough to reduce the precious metal's value.

An analyst at brokerage firm Mitsui Bussan commodities, Andy Smith, said: "It's not a new idea. The French President Jacques Chirac talked about it on Monday, (British Finance Minister) Gordon Brown mentioned it some

weeks ago. And even some US officials previously said that a few months ago."

Smith said that investors were using Clinton's comments as an excuse to sell and take profits while they can.

"It's going to be very difficult for gold in the coming months. I can't see any miracle cure," he said.

The Rothschild Bank in London said that the IMF's sales would probably be between five and 10 million ounces out of an estimated total of 100 million ounces.

**Silver:** Slip. Silver prices were broadly flat this week in spite of a fall in market reserves.

**Copper:** Flat. Copper prices changed little this week.

**Three-month copper prices** on the London Metal Exchange (LME) fell by four dollars to 1,390.50 dollars per tonne.

**LME reserves** fell by 6,700 tonnes to 696,700 tonnes.

**Analysts** sounded upbeat noises about the prospects for

the metal, given signs of a future upturn in the Asian economy and strength of the yen against the dollar.

**Platinum and palladium:** Flat. The prices of these two metals remained flat amid extremely low trade.

**On the London palladium and platinum market,** palladium cash prices remained unchanged at 349 dollars an ounce and platinum prices rose by 50 cents to 367.50 dollars an ounce.

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**Lead:** Rise. Lead prices rose slightly on speculative purchase despite a negative technical backdrop.

**Three-month prices** rose by six dollars to 507.50 dollars per tonne.

**Analysts** said that investment funds had bought up metal in the hope of driving prices higher.

**Zinc:** Stable. Zinc prices changed little this week.

**Three-month prices** rose by 4.20 dollars to 1,034.50 dollars per tonne after LME stocks fell by 3,300 tonnes to 305,475 tonnes.

**Analysts** said that investment funds had bought up metal in the hope of driving prices higher.

**Aluminium:** Hot. Aluminium prices rose sharply this week on the London Metal Exchange (LME), passing the 1,200-dollar a tonne psychological

barrier on positive technical factors and slight 725 tonnes drop in warehouse reserves to 815,475 tonnes.

**Three-month aluminium** closed 67.20 dollars higher at 1,236 dollars a tonne. Investors ignored the decision by French company Pechiney, the fourth biggest producer, not to reduce production.

Pechiney said that the giant Tomago Smelter in Australia, in which it has a 36 per cent stake, would increase production to 650,000 tonnes from 440,000 tonnes in this year.

**Nickel:** Shiny. Nickel prices rose sharply, but lost some ground towards the end of the week on expectations of increased Australian production and profit-taking.

**Three-month nickel** rose 275.5 dollars to 5,195 dollars a tonne, while LME reserves fell 2,046 tonnes to 57,438 tonnes.

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## Japan's current account surplus soars 72pc

TOKYO, Mar 20: Japan's current account surplus in January soared 72.2 per cent from a year earlier to 807.5 billion yen (6.8 billion dollars), the finance ministry said, reports AFP.

The trade surplus gained 67.0 per cent to 927.3 billion yen in the month with exports down 10.9 per cent to 3,331.3 billion yen and imports dropped 24.5 per cent to 2,404.0 billion yen, the ministry said.

The current account surplus measures the flow of goods and services as well as investment income and other monetary transfers.

## Asia to get bulk of global food aid

PARIS, Mar 20: A large part of food aid granted worldwide this year will go to Asia, which will need up to five million tonnes largely due to problems in Indonesia and North Korea, the UN Food and Agriculture Organisation said, reports AFP.

One of the major lessons of 1998, was that a macroeconomic shock could have as severe an effect on food security in a country as a weather disaster, the FAO said in a statement issued at the annual agriculture show in Paris.

Indonesia was suffering the effects of El Nino and the financial crisis which had sharply increased unemployment, making people even more vulnerable to food shortages, the statement said.

In North Korea and Afghanistan, food security remains fragile because lack of basic materials hampered national food production, it added.

In North Korea, in particular, food production was far below requirements and the country did not have the money to buy food abroad, leaving it highly dependent on foreign food aid.