

3 million China workers to lose jobs this year

BEIJING, July 10: More than three million workers in China's state firms are expected to lose their jobs this year, Labour Minister Zhang Zuoli said yesterday, reports AFP.

The official Xinhua news agency said Zhang gave the figure in report to the financial and economic committee of the National People's Congress (parliament).

An estimated six to seven million people already sacked from state firms have still not found new jobs, it said.

Zhang, citing a survey of more than 3,000 state firms nationwide, said 95 per cent of those laid off had registered at re-employment agencies, and 94 per cent of those had been given basic living expenses.

"Appropriation of basic living expenses among, and re-employment of, laid-off workers plays a positive role in promoting reform, development and social stability," the minister said.

Chinese leaders are deeply fearful that sweeping reforms of loss-making state firms, involving the loss of millions of jobs, could trigger widespread social unrest.

Zhang estimated that China would need 24.5 billion yuan (2.95 billion dollars) this year to provide basic living expenses to laid-off workers but the amount currently available was only 19.5 billion yuan.

He said traditional industrial bases like Liaoning, Heilongjiang and Jilin provinces and poor central and western provinces and regions like Sichuan, Shaanxi and Inner Mongolia were those shortest of funds.

Zhang urged governments at all levels to increase funds to help laid-off workers and manage the cash better to prevent misappropriation.

Corruption costs Indonesia's state oil co \$6.1 b

JAKARTA, July 10: International auditors have determined that Indonesia's state oil company Pertamina suffered losses amounting to \$6.1 billion due to rampant corruption and gross inefficiency in the past two years, a business weekly reported Saturday, says AP.

Price Waterhouse Coopers, which is said to have conducted an audit on Pertamina's financial results in the period from April 1, 1996, to March 31 last year, disclosed rampant fraud, including embezzlement, illegal markups and commissions as well as gross inefficiency, Kontan magazine reported.

"Corruption has become a norm and runs deep in every department," said Kontan, quoting the report's executive summary.

A spokesman for the international audit company refused Saturday to comment the report, saying only that its Jakarta office had not been involved in the audit.

"Parts of the report in Kontan are untrue," said a Pertamina official who asked not to be named.

According to Kontan, the audit was conducted at the behest of the International Monetary Fund, which has demanded sweeping economic reforms in exchange for a multibillion dollar package to bail out Indonesia's crisis-ridden economy.

Pertamina has become one of the prime targets of a nationwide drive against corruption, collusion, and nepotism because it is Indonesia's biggest foreign exchange earner.

Last year, the Ministry of Mines and Energy reported that it revised, canceled and renegotiated a total 159 projects and contracts within Pertamina.

Price Waterhouse outlined a long list of losses due to corrupt practices that has buffeted the company, Kontan said.

They include nearly 129 million dollars in unnecessary commissions paid to Pertamina's brokers, Permindo Oil Trading Ltd., and Perta Oil Marketing Ltd., for services Pertamina could have performed by itself.

Costa Rica sets banana export record

SAN JOSE, July 10: Costa Rican banana producers set an export record in the first five months of the year, National Banana Corporation (Corbana) announced Friday, says Xinhua.

Banana exports from January to May amounted to 48 million 18-kilogram boxes, a 3.8 per cent increase over the 46.2 million boxes during the same period of 1998, according to Corbana data published Friday.

The Costa Rican banana exports increased at a time of uncertainty after the European Union changed its quota system for Latin America.

The quota system, declared illegal by the World Trade Organisation (WTO), gave Costa Rica a little more than 25 per cent of the total imports from Latin America.

Costa Rican Foreign Trade Minister Samuel Guzewski and European Commissioner Leon Brittan discussed the issue this week in Brussels, but it is not known yet what will be the EU's definitive position on the matter.

The European market is of special importance to the country because the prices there are higher than in the United States.

Costa Rica is the second largest banana exporter in the world after Ecuador.

IMF committed to gold sales as US opposition grows

WASHINGTON, July 10: The International Monetary Fund said yesterday it remains committed to selling gold as more US lawmakers joined the chorus denouncing the scheme, which would need the approval of the US Congress, says Reuters.

The IMF's board discussed how best to sell some of its huge hoard of gold as part of a plan aimed at relieving the debts of the world's poorest countries through IMF programmes.

"The executive board of the IMF today held a preliminary discussion to consider the modalities of IMF gold sales," an IMF spokesman said. "Executive directors reiterated their full commitment to providing appropriate financing for the Highly Indebted Poor Countries (HIPC) initiative and the Enhanced Structural Adjustment Facility."

Opposition to the plan among US lawmakers, who must approve it, gathered steam as the US Congressional Black

Caucus strongly denounced the proposed IMF gold sales.

"When this proposal comes before Congress for consideration, we will oppose it vigorously," members of the black caucus wrote in a letter to President Bill Clinton.

"We will not support central bank gold sales; we will oppose them in whatever form they are presented to the Congress," the letter, signed by 26 black members of Congress, said. "We intend to examine more realistic, more productive, and less harmful alternatives."

The IMF board discussed how to sell up to 10 million ounces of its 104 million ounce gold reserve without hurting gold prices. Gold hit a 20-year low of \$258 per troy ounce this week after the Bank of England sold 25 tonnes of gold as the first step in cutting its reserves to 300 tonnes from 715 tonnes.

Directors stressed that the gold sales will be handled in a transparent way without disrupting the gold markets," the

IMF spokesman said.

He said the meeting was preliminary because it is not yet clear whether the United States, which can veto the plan, will approve the sales. Discussions will continue through the summer with a plan of action to be in place by late September.

"It is obvious that the United States cannot cast a vote on this issue at the moment because the US administration has not yet received approval from Congress," the spokesman said.

The IMF's reference to ESAP — its donor subsidised loan programme — will incense some in Congress. Some US lawmakers, most notably House Republican Leader Dick Armey, have slammed the gold sales plan as a "back-door" way of financing ESAP which they call a failed loan programme.

The gold sales plan, which will use interest generated from the sales to help relieve debts of 41 of the world's poorest nations, is part of a plan approved last month by the Group of

Seven industrialised nations. The plan needs an 85 per cent vote at the IMF and since the United States has a 17 per cent vote, Congress could block the scheme.

Opponents of the plan claim that the IMF gold sales would further depress the price of gold, which has been battered in recent years by the global financial crisis and by gold sales by many central banks in a time of low inflation.

Since 36 of the 41 countries targeted for debt relief are also gold producers, the gold sales would harm their economies and negate the effect of the debt relief, critics claim.

"If the price of gold remains at the current 20-year low price of about \$258 (per ounce), 40 per cent of South Africa's gold production will become unprofitable, more than 80,000 miners will lose their jobs, and upwards of 800,000 Africans will be plunged into absolute poverty," the black caucus said.

Lamb discord may dominate US-Australian summit

WASHINGTON, July 10: An unusual row over new US tariffs and quotas on imported lamb is expected to figure prominently during US President Bill Clinton's summit Monday with Australian Prime Minister John Howard, says AFP.

"Obviously trade issues will dominate, give the announcement on lamb," a spokesman for the Australian embassy here said.

"It isn't the end of the world and it has to be kept in perspective," he said of the new tariffs, noting the close and longstanding ties between Washington and Canberra.

"But the prime minister himself has said it's appalling and irrational" even as the United States pushes market liberalisation worldwide, the spokesman said.

On Wednesday, Washington adopted new measures that take

effect July 22 and last for three years, limiting foreign lamb imports — most of which come from Australia and New Zealand — to 1998 levels and subjecting them to a nine per cent tariff.

Imports above the quota will be subject to a 40 per cent tariff in the first year.

Both Australia and New Zealand voiced outrage at the new restrictions and vowed to take their case to the World Trade Organisation (WTO), whose next ministerial round is scheduled for November in Seattle.

White House spokesman Mike Hammer said Howard and Clinton's meeting, scheduled to begin around 11:40 am (1540 GMT) Monday, would focus on G20 security issues as well as the situation in Indonesia.

"Australia is a key ally, and

they were very supportive of NATO on Kosovo," he said. On the issue of antipodean lamb, however, Hammer suggested that Clinton would hold his ground.

Clinton spoke with Howard "about a month ago and heard his views on the issue," Hammer said, before concluding "that we are within our rights within the WTO to take these measures."

US lamb producers claim they are seriously threatened by cheaper Australian and New Zealand lamb imports and they petitioned the Clinton administration for redress.

"We believe we're on firm ground," he said. Asked if the White House would serve lamb for lunch, Hammer replied: "I don't think so. But we never make our menus public ahead of time."

Howard was to arrive here late Friday and remain in Washington through Tuesday.

Apart from a meeting and working lunch with Clinton, his schedule Monday includes talks with World Bank President James Wolfensohn, IMF managing director Michel Camdessus, Treasury Secretary Lawrence Summers, and US drug-control czar Barry McCaffrey.

On Tuesday, Howard meets House and Senate majority leaders before a private luncheon and speech at Georgetown University.

He then travels to New York City, where he's scheduled to give a speech on Australia as a world financial centre, and then Boston, where he will watch Australian and American tennis players compete next Friday in the Davis Cup.



Thousands of Samsung's new SM5 series cars sit in the lot at Samsung Motor's depot office in Kihung Saturday. The South Korean giant last week filed to put its money-losing Samsung Motors Inc. under court receivership after the abrupt collapse of the much-trumpeted business swap between Samsung and the Daewoo Group. Head of the Samsung group Lee Kun-Hee handed over 2.4 billion dollars of personal assets in the form of four million shares of Samsung Life Insurance Co. to Samsung Motors creditors. —AFP photo

Metal: Weekly Roundup

BOE sales take shines off gold

LONDON, July 10: Gold prices plummeted during a week dominated by the first in a series of planned auctions by the Bank of England, a sale programme which has alarmed the market and driven the price of bullion to the lowest point for 20 years, says AFP.

Gold ended the week at 258.40 dollars an ounce, down 4.85 dollars or 1.8 per cent, from week-earlier levels. The metal recovered slightly after losing more than two per cent on Tuesday alone — the day on which Britain launched its auction programme by selling 25 tonnes at 261.20 dollars an ounce.

"Gold is becoming more like a mere commodity and the implications of this are not good for the price," an expert with the Virtual Gold consultancy, Tony Warwick-Ching, said.

"It's like silver which has become in a few years a speculative commodity when it used to be a monetary metal."

It was a different story altogether for the base metals complex, where prices soared in some cases to levels not seen for

more than a year as reserves contracted and fears persisted over copper output cutbacks.

Silver: Moon. Prices were pulled down by gold as fallout from the bullion market meltdown seeped through into the silver market.

Cash prices on the London Bullion Market fell by nine cents to 5.22 dollars an ounce. But dealers said the price could rebound as the physical market for silver remained firm.

Palladium and Platinum: Higher and higher. Palladium and platinum shrugged off the gold slump to post handsome gains amid perky demand on Asian markets.

The palladium cash price gained nine dollars to 329 dollars an ounce, while platinum prices put on 1.50 dollars to 352.50 dollars an ounce.

Investors were also closing short positions, giving an extra boost to demand, dealers said.

Base metals: Robust. The whole base metals complex surged to levels not seen for a year and more as fears persisted over output due to production

cutbacks. Copper led the way with three-month prices on the London Metals Exchange gaining 29 dollars over the week to end at 1,697.50 dollars per tonne.

Official reserves of the red metal dwindled throughout the week, only to jump suddenly to finish 5,325 tonnes higher at 759,750 tonnes.

Following Australian Broken Hill Proprietary's announcement of mine closures, US mining group Asarco followed suit this week with shut-downs that will cut its output by seven per cent annually.

US copper producer Phelps Dodge Corp had earlier announced an output cut of its own, to the surprise of investors.

On the demand side, improvements were noted throughout the week whether for physical or investment purposes, dealers said.

Lead prices followed copper higher amid stronger demand stimulated by the surging US economy.

Three-month prices ended the week up seven dollars to

504.75 dollars a tonne, while official reserves fell by 550 tonnes to 133,200 tonnes.

Zinc: fell in step with the metals march upwards, as industrial demand swelled, particularly in Europe.

Three-month prices saw a tonne of zinc fetch 1,115.50 dollars by the weekend, up 81 dollars on the week, and its highest level since July 1998.

Zinc prices were also boosted by the threat of strike action at the Kidd Creek site of Canadian metals outfit Falconbridge. Apart from copper the site produces 144,000 tonnes of zinc a year.

Official reserves meanwhile inched up 4,075 tonnes to 297,925 tonnes.

Aluminium prices soared to their highest level since May 1998 thanks to buoyant demand and optimism over an improved economic outlook for Asia and Europe.

Three-month prices rose 26 dollars to 1,436.30 dollars a tonne their highest level since May 1998 — while official reserves contracted 3,950 tonnes to 751,425 tonnes.

Georgia seeks new export markets

TBILISI, July 10: Georgia, suffering from a huge trade deficit, wants to wean itself from dependence on exports to former Soviet states, the Minister for Trade and Foreign Economic Relations said yesterday, reports Reuters.

"We are trying to diversify markets for our export products and be less dependent on Russia and other former Soviet republics," Tamar Beruchashvili told Reuters in an interview.

Beruchashvili said exports to Russia had fallen three-fold due to the Russia's financial crisis, which began last year.

Georgia's main exports are wine, spirits, and citrus, along with ferro-alloys and other metallurgical products. They totalled just \$194 million last year compared with imports of \$1.048 billion.

Beruchashvili said promoting Georgian goods would be tough on Western markets where quality standards were high but that the government was aiming to help educate businesses.

The government has set up the Georgian Export Promotion Agency (GEPA), with assistance from the German government and the European Union's Technical Assistance to the Commonwealth of Independent States programme.

The agency aims to supply local businessmen with information about European markets.

"Georgia will join the World Trade Organisation (WTO) soon. Markets of 134 countries will be opened for us."

Failure to institute reforms

Philippines unlikely to catch up with neighbours

MANILA, July 10: The Philippines may not have been as badly hit by the Asian financial crisis as its neighbours, but it is also not likely to catch up with them after they recover, a noted Filipino economist said Friday, reports AP.

Prof. Emmanuel de Dios of the University of the Philippines said while the regional crisis was like a "cleansing fire" to countries like Malaysia, Thailand and Indonesia, which tried to purge cronyism and make laws more transparent, it did not have the same effect on the Philippines.

The Philippines' failure to institute reforms may lead to a worsening of the economy during the remaining five years of the administration of President Joseph Estrada, de Dios said during a forum assessing Estrada's first year in office.

De Dios said the "good news"

Cases against tobacco giants

Insurers may be forced to repay compensation

LONDON, July 10: European and US insurance companies may be forced to reimburse tobacco companies paying out billions of dollars in settlements and compensation claims in the US, an industry analyst said on Thursday, reports Reuters.

Paul Hodges of investment bank Schroders said in a report that many industry giants had provided insurance to tobacco manufacturers that either specifically covered, or did not fully exclude, the health liability risks associated with smoking.

The report named some of the companies involved as Royal & Sun Alliance, CGU, Lloyd's of London, Zurich Financial Services, Liberty Mutual and The St Paul Companies.

It said it was clearly in tobacco manufacturers' interests to seek reimbursement from their insurers as claims against them mount.

Tobacco companies may have to pay out as much as \$500 billion over the next 25 years after four tobacco companies agreed in 1997 to pay more than \$200 billion to 46 US states, and class actions for compensation to individual smokers in other states are still under way.

On Thursday a Florida jury ruled that smoking causes diseases such as lung cancer and that tobacco companies that had hidden the risks would have to pay unspecified damages.

The defendants in the case

included R J Reynolds Tobacco Co., Philip Morris Cos. Inc., Loews Corp.'s Lorillard Tobacco Co. Inc., Brooke Group Ltd., Liggett Group Inc., and the Brown & Williamson unit of British American Tobacco Plc.

Hodges said the 1997 settlement did not stop tobacco companies from recovering all settlement and compensation payment costs from their insurers.

Coke, Pepsi Cola lower prices in Tanzania

DAR ES SALAAM, July 10: Bottlers of Coca Cola and Pepsi Cola have lowered the prices of their sodas from 200 Tanzanian shillings (one US dollar equals to some 740 shillings) to 150 shillings in several regions of Tanzania, says Xinhua.

Coca Cola Kwanaa brought down their prices in Dar es Salaam, Coast, Morogoro and Lindi regions last Thursday, the company's sales manager Felix Mlingi said here Friday.

Mlingi said that the wholesale price for a crate of soda is now 3,000 shillings instead of 4,050 shillings while the retail price per bottle is 150 shillings instead of 200 shillings.

He explained that his company was forced to bring down the prices after Pepsi Cola did so several weeks ago in Kilimanjaro, Kagera, Morogoro and Dar es Salaam regions.



The 4th annual 'Finlay Tea Distributors' Conference '99 was held at Sonargaon Hotel yesterday. Morshed Chowdhury, Manager, Dhaka Branch, SS Iftekhar Ahmed, Manager, Tea Trading Deptt, S A Chowdhury, Deputy Superintendent, Tea Garden, and Syed Alimuzzaman, Manager, Deanston Tea Factory, are seen in the picture. — Finlay photo

Finlay sells 1.75m kg of tea in '98

James Finlay PLC, one of the largest producers and packers of poly pack tea in the country, sold 1.75 million kgs of tea last year, says UNB.

This year, the company has set a selling target of 2.2 million kgs through its 35,000 outlets across the country.

General Manager of Finlay's Dhaka Morshed Chowdhury disclosed this, while addressing the annual distributors conference at a local hotel yesterday.

Till June, Finlay poly pack tea has already recorded a sale of 8.5 lakh kgs and they are hopeful of exceeding the target set by the end of the year.

Chowdhury apprised the Finlay poly pack distributors of the various measures taken by the company towards improving further the quality, freshness and packing of poly packs and ensuring market leadership of their prime brand name.

Some 77 distributors from all over the country participated in the conference.

Asian central bankers say Pace of financial reform slowing

HONG KONG, July 10: Although Asia has started to recover from its economic crisis, the pace of financial reform is slipping, central bankers said Saturday, reports AP.

In a meeting with executives from the Bank for International Settlements, or BIS, Asian central bankers raised concerns about the way reform in the international financial system is proceeding. Andrew Crockett, general manager of the BIS, told reporters after the closed-door meeting.

Asian stock markets have rallied in recent weeks, though some analysts wonder whether traders have overestimated the actual prospects for a recovery. Some blue chip indexes have soared to levels unseen since before the Asian crisis spread in the autumn of 1997.

The bankers also said they

want a larger role in the BIS' Financial Stability Forum, an organisation of central banks and regulatory agencies led by the Group of Seven countries and headed by Crockett.

Crockett said he would raise the bankers' concerns at future forum meetings. But he stopped short of promising broader participation by Asia's smaller economies, noting that Hong Kong and Singapore have been invited to participate because of the size and importance of their financial markets.

A number of the 11 top central bankers from the region were concerned with the BIS' proposal for changing bank lending guidelines.

The Basel, Switzerland-based BIS acts as a clearing house for the world's central banks.