

# Pakistan pledges to continue energy sector deregulation

REUTERS, Islamabad

Pakistan's new civilian government, seeking foreign investment in its energy sector, said Thursday it would continue to deregulate the industry, but not to the point of immediately raising limits on retailing profits.

Nouraz Shako Khan, Minister for Petroleum and Natural Resources, told executives from both state-owned and private oil and gas companies that the new government would carry forward the restructuring and reform of the sector.

"We will pursue deregulation to minimise interference of the government in industrial and business development," Khan added.

Energy-deficient Pakistan needs billions of dollars of foreign investment in its developing upstream and downstream oil and gas sector.

Investments are needed to lay oil and gas pipelines, expand storage capacities and step up onshore and offshore exploration.

Abdullah Yusuf, permanent secretary at the Ministry of Petroleum and Natural Resources, said at least 100 exploratory wells needed to be drilled every year, compared to about 30 wells being drilled at present.

Pakistan needed to expand fuel oil storage capacity to 45 days from around 20 now, he added.

Yusuf said Pakistan was also working on replacing expensive

imported fuel oil with gas. "The thrust of the government's policy is to replace furnace oil with gas in power generation with expected savings of \$600 million to \$700 million annually."

A World Bank official said the government needed clear, transparent, stable and predictable pricing policies for natural gas and petroleum products if it was to attract the investment it needed.

"This is essential to create public confidence and to promote foreign investments," said Marc Heitner, principal energy specialist at the World Bank in Pakistan.

The bank and private sector also wants an end to gas subsidies to the fertiliser industry, estimated to cost

the government up to 12 billion rupees (\$205 million) annually.

The oil and gas sector attracted a billion dollars in investment in the last three years but industry executives say this could increase sharply if the regulated commission for the sale of petroleum products by oil marketing companies was raised.

The industry wants margins to go up to four or even five per cent from the present 3.5 per cent.

Yusuf firmly ruled out any further increase in the margins though he said he wanted to see the industry so deregulated that the government would not need to determine the margins at all -- competition in a freer market might one day replace regulated margins.

## Euro-zone industrial output falls

AFP, Brussels

A senior EU official warned Thursday that economic momentum in the 12-nation euro zone was showing no sign of picking up, as newly released data revealed that industrial output in the zone fell 0.2 per cent in October from September.

"Until now there has been no indication of an acceleration in activity in the euro zone," EU Economic Affairs Commissioner Pedro Solbes said in a quarterly report on the euro-zone economy.

He cited "uncertainties" surrounding prospects for a strengthening in domestic demand and said world trade appeared to be weakening.

In addition, according to Solbes, investment has remained sluggish while consumer spending, which gave indications of a recovery in the second and third quarters, is now under threat from "a deterioration in household confidence."

Solbes maintained that respect for the 1997 Stability and Growth Pact was critical to efforts aimed at boosting investor confidence and spending.

## HK bankruptcies fall slightly

AFP, Hong Kong

Personal bankruptcies in Hong Kong fell slightly in November amid signs the economy is rebounding, government figures showed Friday.

The number of bankruptcy orders issued fell to 2,465 from 2,777 in November, but were more than double the 1,184 bankruptcy orders issued a year earlier, the Official Receiver's Office said.

In the first 11 months of this year, the number of bankruptcy petitions filed stood at 24,811, surpassing a record 13,186 cases for the whole of last year.

The latest figures come as Hong Kong's unemployment rate declined to 7.1 per cent in the three months to November -- the fourth successive fall after reaching a record 7.8 per cent in July.

In another sign of a rebound, economic growth returned in the second quarter of this year with 0.5 per cent expansion from a year earlier, compared with 0.5 per cent contraction in the first three months.



Moulana Obaidul Huq, chairman of the Shariah Council of Islami Bank Bangladesh Limited and Khateeb of Baitul Mukarram National Mosque, presides over a meeting of the council held at its board room in the city on Thursday.

# ROK president-elect vows drive for market reform

AFP, Seoul

South Korean president-elect Roh Moo-Hyun pledged Friday to steer Asia's fourth largest economy to further prosperity by boosting growth and pursuing a drive for market reform.

Roh said South Korea should remain a model of reform in Asia by renovating economic and market systems as well as the country's family-run business conglomerates, known as chaebol.

"I will not retreat from market reforms. I will push for reforms with a strong determination," said Roh, 56, the left-of-center candidate who beat conservative opposition leader Lee Hoi-Chang in a tight race Thursday.

Roh, a former lawyer and pro-labor activist, said reforms should be accelerated to shore up South Korea's impressive recovery from economic implosion five years ago.

He said he would pursue the crackdown on the chaebol whose over-expansion and iron grip over the economy hampered the country's ability to compete globally and led to the 1997-1998 economic

crisis.

"If unreasonable chaebol and economic systems are not corrected, it will lower economic efficiency and could result in another economic crisis," he said.

"I will make sure that unreasonable economic and chaebol systems will not be a burden on the economy,"

Roh, however, rejected charges that his election would discourage investment flows into South Korea, saying he would create a better business environment for foreign investors.

Bear Stearns Asia economist Michael Kurtz said Roh's background as a labor activist may incline him less toward privatization and labor market flexibility.

"His policy approach will be expensive fiscally," Kurtz said, expressing concern about possible strains in ties between Seoul and Washington.

The incoming president has advocated the economic policies of outgoing President Kim Dae-Jung, who has carried out a strong drive to pull the economy back from the brink of ruin five years ago.

Roh is inheriting one of the industrialized world's best performing economies. The central Bank of Korea has projected the country's economic growth at 6.2 per cent this year and 5.7 per cent in 2003.

South Korea's business community urged the president-elect to create an environment conducive to business and investment, ease restrictions on corporate activities and implement policies based on market principles.

"We believe reform has been fully implemented in the past five years," said Sohn Byong-Doo, vice chairman of the Federation of Korean Industries, which represents the chaebol.

"We hope the president-elect will take a practical approach," he added.

In response, Roh said he would run the economy in a transparent and fair manner so that companies can grow in a business friendly environment.

The stock market index edged up to 709.44, but analysts were divided on the impact of Roh's election victory.

## WB gives \$150m to Vietnam for financial reform

AFP, Hanoi

The World Bank approved this week the release of 150 million dollars to Vietnam to hasten reforms of the financial and trade sectors and to restructure state-owned enterprises, the bank said Friday.

The credit is the second tranche of its poverty reduction support programme to the country. The first installment of 100 million dollars was released in September last year.

"Release of the second tranche of the (program) signals that Vietnam is on the right track", said Klaus Rohland, World Bank country director for Vietnam.

"Structural reforms need to be continued if Vietnam wants to achieve its target of higher economic growth without increasing inequality".

The program is aimed at improving transparency and accountability of state-owned enterprises, bank and public finances as well as increasing competition for further liberalization of the private sector.

A key focus of the World Bank's program in Vietnam is the communist-ruled country's transition to a market economy.

# US may pressure China to strengthen yuan

REUTERS, Washington

Some of President George W. Bush's aides are considering stepping up pressure on China to strengthen its currency, which would help US manufacturers, but the effort could be scuttled by others in the administration who oppose taking an active role in currency matters.

Congressional aides and business leaders said they have taken part in informal talks in recent months with administration officials on encouraging China to revalue the yuan, a move that would help ailing US manufacturers compete in global markets.

Business leaders said the effort could get a boost with the departure of Treasury Secretary Paul O'Neill, who took a hands-off approach to currency markets. But it is not clear how it will fare under his successor, CSX Corp Executive John Snow.

A business leader who has held talks with Bush aides said the reshuffling of Bush's economic team and internal "divisions" in the

administration meant "things are a little bit in flux."

Outgoing National Economic Council director Lawrence Lindsey reportedly discussed the administrator's views in a recent closed-door meeting with business executives.

According to people who attended, Lindsey said US officials were trying to persuade the Chinese that revaluing the currency was in their best interest.

"It's a major area of focus," one participant said Lindsey told the group. "He said it's in our interest to persuade them (the Chinese) that it is in their interest."

But others with knowledge of these preliminary discussions, involving lobbyists, administration officials and congressional aides, cautioned that telling another country how to value its currency did not sit well with many in the Bush administration.

"Not everyone is sold on this," a senior congressional aide said.

The White House said that the administration was not in the busi-

ness of dictating currency policy and said Lindsey spoke only generally about China's growing role in the global economy.

"The choice of the exchange rate regime is a decision for China to make, and the Chinese authorities have acknowledged for some time that China should move toward a more flexible exchange rate regime," an administration official said.

Lindsey declined to comment. A business lobbyist with close ties to the administration described the US approach as one of "quiet diplomacy" rather than confrontation. "This is not a football game. It's more of a waltz," he said.

By contrast, Japan caused a stir in financial markets by complaining the yuan was too weak, given China's strong economic fundamentals.

China's yuan currently trades between 8.2760 and 8.2800 to the dollar, kept in check by the central bank, which uses foreign-exchange reserves to keep the currency within the narrow range.

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