

Business Briefs

Southeast Asia

Several infrastructure projects launched

Several major infrastructure projects are about to get under way in Southeast Asia. A group of Thai and Japanese companies are to build a \$375 million dam in the Shan state of Burma (Myanmar), previously under Khun Sa's control, as the first of eight hydro-power projects identified by the Thais and the Burmese.

Gas from the Indonesian Natuna field in the South China Sea will be shipped to Thailand under the sea, either in a 1,000-kilometer pipeline directly to the Bangkok area, or in a 400-km pipeline to the Thai-Malaysia border area. Thai Prime Minister Banham Sinlapa-acha visited Indonesia in April, agreeing to this and other deals, including to swap rice for Indonesian-produced airplanes.

Thailand and Vietnam have agreed to develop the Route 9 road from northeast Thailand, through Laos at Savannakhet, to Danang, Vietnam. Japan and the Asian Development Bank will aid in the financing.

Germany

Parliament okays maglev for Hamburg-Berlin route

The German Parliament approved construction of a magnetically levitated (maglev) rail line between Hamburg and Berlin by 2005, on May 9. The government is to shoulder DM 5.6 billion (\$3.5 billion) for the preparatory engineering work, and construction and maintenance of the track. Private investors, such as construction firms and banks, are expected to pre-finance the remaining DM 2.8 billion, and be reimbursed through revenues from the maglev's operation. The government wants to buy the maglev back over 20-25 years.

Although it must be approved by state parliaments, and is facing a legal challenge from environmentalists, construction is to begin in 1997, or spring 1998 at the latest.

The first maglev run between the cities is expected to take place in 2003.

The Swiss daily *Neue Zürcher Zeitung*, on May 11, was highly optimistic about the technology, in an article entitled "A Maglev Net as a European Vision." It read: "If the system, which has been tested for many years in the Emsland, can deliver what it promises, this will not only result in better export opportunities for industry. It would also improve Europe's long-distance railway transport, in comparison to the system of wheels and tracks. There already exists a railway network between Madrid and Moscow, from Scandinavia to Sicily. However, even with huge efforts at modernization, this railway network would never make possible comfortable travel times, apart from a few particular routes. By contrast, with the magnetic train we could easily traverse transcontinental distances in a few hours. The vision that the present high-speed rail system, based on wheels and tracks, will later be transformed, step by step, into a maglev system, does not have to be utopian, considering that the magnetic train can handle much greater grades and curvatures."

Eurasia

Iran inaugurates new 'Silk Road' rail link

Iranian President Ali Akbar Hashemi Rafsanjani inaugurated a new rail link between Iran and Central Asia on May 13, which, he said, revived the old Silk Road. He spoke at the opening of the railway in Mashhad in northeastern Iran, attended by heads of state and dignitaries from more than 50 countries.

"Today we open a railway in cooperation with our friend Turkmenistan which revitalizes the historic Silk Road . . . which is famous as a symbol of East-West relations. The Silk Road railway . . . shortens the long distance between Chinese ports to the Persian Gulf, is the bridge for the region and the world, and is a clear example of Iran's priority on regional cooperation," Rafsanjani said.

The 165-kilometer railway between Mashhad and the Turkmenistan city of Sa-

rakhs will make it possible, for the first time, to link China to the Mediterranean through the Chinese-Central Asian rail grid, and Iran to Turkey via Teheran. The rail line will also link the Central Asian countries to the Iranian port Bandar Abbas, on the Persian Gulf.

Chinese Prime Minister Li Peng said, "This is the Silk Road into the 21st century."

Turkey's President Suleyman Demirel said, "An historic legend comes to life. The Silk Road was not only about a route, but was about the coming together of various nations. It is not only a railway being inaugurated today, but continents and peoples of various continents are being connected."

"The Iran-Turkmenistan rail line will place the Central Asian states in the global economy," said Pakistan's President Farooq Ahmed Leghari.

The inauguration of the rail line opens a new phase of economic cooperation in Central Asia. A summit of the heads of state of the Economic Cooperation Organization, which includes Iran, Turkey, Pakistan, Afghanistan, Azerbaijan, and five Central Asian nations, was held in Ashkhabad, the capital of Turkmenistan, on May 14-15. The establishment of a "regional development bank" to finance major infrastructure projects parallel to the Silk Road rail project was scheduled for discussion.

Indonesia

Plan for 'national car' upsets free trade mafia

The free trade mafia is very upset about Indonesia's plan for a "national car," which President Suharto announced in February. The plan involves high levels of protection for domestic industry, including use of tax breaks and tariff barriers. Leon Brittan, the British vice president of the European Union Commission, "made clear to President Suharto that European automotive manufacturers are not satisfied with Indonesia's national car policy," the Jakarta journal *Kompas* reported on April 24.

Hit-man Brittan admits that the plan is within the World Trade Organization rules, but nonetheless claims that "the policy is

Briefly

THE IRANIAN Oil Industries and Engineering Co. got a 10% share in a contract to exploit the Azerbaijani oil field Shakh Deniz, which will be carried out by an international consortium led by British Petroleum. There are seven international investors. Russia got a 25% stake, and the Russian firm Lukoil a 12.5% stake.

SOUTH AFRICA and China granted each other most favored nation trade status on May 2, South Africa Trade and Industry Minister Alec Erwin announced. Erwin said both countries were keen to pursue expanded trade and investment opportunities. Bilateral trade has expanded from \$14 million in 1991 to \$1.3 billion in 1995.

CAMBODIA will impose fines on anyone found to be using dollars (or Thai baht) in the country, because the sovereignty of the economy is threatened, the newspaper *Reaksmei Kampuchea* reported on April 24. This is "tantamount to preserving the nation's territorial integrity," it said.

POPE JOHN PAUL II warned eastern Europeans not to fall into the trap of "unbridled capitalism" and lose their new freedom, upon his arrival in Ljubljana, Slovenia on May 17. True freedom must be found in a "third way" of economic policy, one which pays tribute to the genuine concerns of humanity, he said.

MORGAN STANLEY chief economist Stephen Roach attacked downsizing, in an article entitled "America's Recipe for Industrial Extinction," abridged in the May 14 London *Financial Times*. He is the latest among supporters of free-trade policies who are publicly distancing themselves from their wrong ideas.

TURKEY'S President Suleyman Demirel, accompanied by a large business delegation, visited Uzbekistan in May to strengthen economic and cultural ties. Bilateral trade rose by 75% in 1995 to \$280 million, and 200 joint ventures have been set up in Uzbekistan, officials said.

contrary to Indonesia's commitment to the WTO." Brittan said he feared that this "discrimination" against European manufacturers "can influence other sectors."

Also typical of the reaction is a *Far Eastern Economic Review* op-ed by Alexander Irwan, of the Center for Indonesia-Asia Business Information in Jakarta. Irwan complains that the company given the concession, run by Suharto's son Tommy Suharto, together with the South Korean firm Kia, will be able to sell the new car (called the Timor) at half the price of comparable imports because of high tariffs on everyone else. He insists that the car will be of a low standard, and will fail to live up to the promise to use a majority of local materials within three years, yet consumers will be forced to purchase it.

In Indonesia, however, Fadel Muhammad, president of the Bukaka Group, one of the industrial firms involved in the national car project, issued a call for similar government policies to aid infrastructure development. *Bisnis Indonesia* of March 11 quoted him saying that "a Presidential Instruction on infrastructure needs to be issued immediately, because that sector, like the automotive sector, is a major drain on the country's foreign exchange through imports of goods that actually can be produced by domestic industry." He emphasized electrical generators and heavy equipment, and praised Suharto's auto policy as showing "a new awareness by the government and the public of the need to bring the nation's self-sufficiency in technology and domestic industry to more maturity."

Economic Policy

Egyptian opposition fights privatization

Leaders of three Egyptian opposition parties have taken the government to court to try to stop the sale of state companies to the private sector, a disastrous program they insist is unconstitutional. The heads of the Labor, Tagammu, and Nasserite parties, along with lawyers and members of public sector company unions, appealed to Cairo's Adminis-

trative Court to overturn a cabinet decree that expands privatization, wire services reported on May 14. The opposition parties say privatization is against the constitution which states that the public sector belongs to the people, lawyer Mahmoud Asfour told the court.

The government in February said it planned to sell 100% of 14 industrial companies, as well as part of the equity in at least 42 other companies. Privatization started in the early 1990s under an economic reform program pushed by the World Bank and the International Monetary Fund. The program had made slow progress until the state decided to give up management control in early May of a real estate company, through a sale on the stock exchange, in a move that brokers hailed as a breakthrough in privatization.

The government's lawyer asked for an adjournment to allow the government to present its case. The next session is scheduled for June 4.

Poland

Government told to free itself from 'IMF dictate'

Wojciech Blasiak, a member of the Sejm (parliament) for the Confederation for the Independence of Poland (KPN), the fourth-largest party in the Sejm, demanded that the government free itself from the "dictate" of the International Monetary Fund, at a press conference in Warsaw on May 9.

"We demand, that the foreign policy of Poland take steps to free our country from the dictate of the IMF!" Blasiak said. "Also, looking at the situation in Russia: The IMF policy there is responsible for social tensions, which can become dangerous strategically, and unfortunately, Western countries do not want to help Russia.

"This is especially important, because it brings rationality into Polish-Russian relations at a time when the combination of the debate to expand NATO eastward, and the prominently played upon Polish fear of a 'communist takeover' in Russia, may create strategic troubles in Central Europe after the June elections in Russia."