

Business Briefs

Banking

German state bank calls for infrastructure plan

Klaus-Dieter Kuehbacher, president of the Berlin-Brandenburg state central bank, called for a "massive public infrastructure program," in an interview with the German economic daily *Handelsblatt* on July 31. Such a program should be set up on a 10-year basis, in order to modernize infrastructure in eastern Germany, he said.

This should include, in particular, all the municipal infrastructure investments that were cancelled for financial emergency reasons. We are heading toward a "crude collapse" of the eastern German construction sector, he said, and, with such an infrastructure program, the impact of the collapse could at least be softened.

Kuehbacher warned against cutting down state job-creation measures, as envisaged by the federal government, because this would cause a rapid increase of unemployment. He also called for increased state intervention to prevent eastern German companies from going bankrupt, such as the special program of the Bundesbank, that allows the generation of stock capital in eastern German companies, presently at a volume of DM 1 billion (\$625 million).

China

Faster development of western region planned

Beijing has drawn up detailed plans to speed up economic development in the country's western regions, Jin Ping, head of the strategic development division in the State Planning Commission, revealed to Xinhua news agency on July 26. When the plan is fully implemented, it will narrow the gap between the more developed coastal regions, and the underdeveloped western part, he said. Xinhua titled its report, "Go West!"

The development strategy includes projects for railways, highways, telecommunications facilities, and the building of new agricultural and industrial bases.

Over the next five years, construction will be ongoing for a railway from Nanning, capital of Guangxi province, to Kunming, capital of Yunnan province; for a 1,000-kilometer double-track rail line between Guiyang, capital of Guizhou province, and Zhuzhou, in Hunan province; and for upgrading a railway section between Guiyang and Kunming.

Meanwhile, a 1,000-km rail line connecting Xi'an, capital of Shaanxi province, with Nanjing, capital of Jiangsu province, will be built to cope with growing freight traffic. A high-grade highway between Lianyungang, a port city and the eastern terminal of the new Eurasia land-bridge in Jiangsu, and Xinjiang's Horgos is expected to be operational by the year 2000. Other projects listed in the Five-Year Plan are renovation of existing Sichuan-Tibet highway, and airports at Urumqi, Nanning, Guilin, Yinchuan, and Guiyang.

Asia

\$100 billion in rail projects scheduled

Railroad projects in Asia valued at \$100 billion are under way or are scheduled to start within five years, the July 31 *International Herald Tribune* reported. The projects include high-speed rail connections between Beijing and Shanghai in China, Taipei and Kaoshiung in Taiwan, and Seoul and Pusan in South Korea. Malaysian and Singaporean officials are considering a dual-track electric train between Kuala Lumpur and Singapore, to cut travel time from seven hours to 90 minutes.

"The return of peace to Asia has made it possible for countries to revive the plan, first put forward in the 1960s, for a trans-Asian railroad network that would provide reliable service between the region and Europe," said M. Rahmattuah, head of the UN Economic and Social Commission for Asia. It is now impossible to travel from Singapore to Europe via rail, due to gaps in the rail network, including between Cambodia and Thailand, and Cambodia and Vietnam.

At this time, most of Asia's international trade goes via ship, while high-cost trade

goes via air or roads, which is much more expensive. This is due to the neglect of rail development.

The Association of Southeast Asian Nations (ASEAN) has interest in developing rail lines, because not only has Vietnam joined ASEAN, but Cambodia and Laos are scheduled to join next year, and Myanmar (Burma), soon thereafter. Officials also want to increase rail links to China.

Another problem, besides the lack of rail links, is the change of gauge on various borders.

Malaysian Transport Minister Ling Liong Sik said that preliminary studies show that the least costly and quickest-to-complete rail route would run 4,700 kilometers from Singapore, via Kuala Lumpur, Bangkok, Phnom Penh, Ho Chi Minh City, and Hanoi, to Kunming in southern China. This could then connect to the Chinese rail network, and thus to Europe through Central Asia (the land-bridge), or via the Trans-Siberian Railway. "Apart from two gaps along the route, in Cambodia and Vietnam, where new tracks have to be built, the rest is in place," Ling said. "The east coast line is not the shortest, but we feel that it is the one which can make the project a reality in the shortest time."

Trade

Indian Ocean economic cooperation group to form

Fourteen nations on the rim of the Indian Ocean will officially form an economic cooperation zone, entitled the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), at a meeting in Mauritius in September, the July 22 Australian *Financial Review* reported. The member-nations of the proposed trade group include Australia, India, Indonesia, Malaysia, Kenya, Madagascar, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, and Yemen.

The new group, collectively representing a Gross Domestic Product of \$1.5 trillion, will be small compared with the GDP of the Asia-Pacific region, which was \$13.5 trillion in 1993 and accounted for half the

world's production and 40% of the world's exports; however, upgrading the new grouping's standing is being promoted. Australian Deputy Prime Minister Tim Fischer, described as having a personal interest in South Asia, was quoted telling a business luncheon, "I have always been driven by the fact that the South Asia element of Asia has been under-profiled. What the [Australian] government is about, is boosting that in many ways."

The initiative, from all appearances, is coherent with British plans to revive the Empire (see *EIR*, May 24, "The Sun Never Sets on the New British Empire"). The structure of the IOR-ARC will be similar to the Asia-Pacific Economic Cooperation (APEC) group, and will not be based on a formal treaty or binding agreement among the members. Its charter, which is still being drafted, is reported to contain a declaration of support for trade liberalization—i.e., free trade. Reportedly, Australia and India, both British Commonwealth members, were the two main players in the negotiations to form the grouping.

Space Technology

Israel readies research center for arid climates

"We are now studying a program to establish in Israel a Middle East research center for arid zones," Aby Har-Even, the director of the Israel Space Agency, said in an interview with the July 29 issue of *Space News*. "The problem of desertification and the influence of aerosols on agriculture, meteorology, and the climate can be studied better here than in other places." Such a program would depend upon satellite remote sensing data.

Asked about cooperation with neighboring countries, Har-Even said that both Jordan and Egypt have some space activities, and they are discussing what they can do together. "We think, for instance, that a project using [U.S.] Global Positioning System receivers to learn about the relative movement of the tectonic plates in our region is something of interest for all the countries around the Jordan Valley. Joint

research also could help to upgrade meteorological forecasting, by being able to quantify the amount of water vapor in different layers of the atmosphere."

On Dec. 11, 1995, President William Clinton, in a press conference with then-Israeli Prime Minister Shimon Peres, had stated that the two countries had agreed to train an Israeli astronaut to fly in the Space Shuttle program. But Har-Even said that "in the Israel Space Agency budget for this year and next year, we don't have any plan for such an astronaut." The budget of the space agency (about \$3.1 million) has been relatively flat for the past few years.

Russia

Gazprom payments crisis worsens

At a press conference on July 12, Gazprom President Rem Vyakhirev complained that just in the last 10 days of the Presidential campaign, the debt of the huge Russian natural gas company's domestic customers grew by 1 trillion rubles (\$200 million). The total such debt is now 58 trillion rubles (\$11 billion), or 3% of Russia's GDP, *Nezavisimaya Gazeta* reported on July 30. It reported that Gazprom's production and sales account for 7-8% of GDP, and 8% of all Russia's exports.

Last autumn, the government issued special regulations permitting regions to delay payment for natural gas supplies. Even now, Vyakhirev complained, Gazprom is not allowed to sue its debtors: First it was because of the Duma (parliament) elections, then the Presidential elections, now the financial and budget crisis. More and more, he said, the Europeans are the only reliable customers; but Europe, purchasing 20% of Russia's natural gas production, cannot subsidize all the "deadbeats" of Russia and the near abroad.

The pending sale of 9% of Gazprom's shares through the City of London, meanwhile, was publicized in *Izvestia* on July 16, as showing that Russian President Boris Yeltsin's "victory has led to a belief, on the part of business circles, in the economic and political stabilization" of Russia.

CHINA faces severe consequences, if Beijing does not regain central control of finances, Dr. Hu Angang warned in the July 29 *Lianhe Zaobao*, a Chinese-language daily in Singapore. Hu is a member of the National Status Assessment Group of the Chinese Academy of Sciences and author of *Challenging China*, a book on national security and economy.

GERMANY could expand the planned Hamburg-Berlin maglev rail line to Dresden, and to Prague and Vienna, early in next century, Transportation Minister Matthias Wissmann said in July, the weekly *Focus* reported July 29. He said that there is also increased interest in the Netherlands, in a maglev line between the ports of Rotterdam and Hamburg.

NIGERIA has not taken loans from the International Monetary Fund for 18 months, and is going to try to continue for at least another 18 months, a Nigerian source told *EIR*. The currency, the naira, despite destabilization attempts of all kinds, has maintained its value for roughly the last 18 months.

BRAZIL'S corporate bankruptcies doubled from June 1995 to June 1996, increasing from 1,994 failures in 1995 to 3,574 in 1996, according to a study released by Serasa consultants. The majority occurred among small and medium-sized companies.

RABOBANK, the giant Dutch agribusiness bank, has been granted a branch license in Australia, in what is described as a "second wave" of foreign banking entries, the July 25 Australian *Financial Review* reported. It is three times the size of Australia's largest bank.

PAPUA NEW GUINEA on July 24 again defied the World Bank, as parliament amended the Forest Act, restoring control to the minister for forests, in direct defiance of the conditionalities imposed as part of a \$455 million structural adjustment package, the July 29 Australian *Financial Review* reported.