

Business Briefs

Infrastructure

ASEAN leaders discuss rail, bridge projects

Among the subjects discussed at the Association of Southeast Asian Nations heads of state one-day summit in late November, were extending rail connections linking China to Southeast Asia, via the route from Kunming, China, passing through Laos and Cambodia, to Bangkok and Singapore.

President Suharto of Indonesia, which hosted the ASEAN summit, and Prime Minister Mahathir Mohamad of Malaysia also held informal bilateral talks, in which Malaysia said it had no objection to Indonesia's proposal to build a gas pipeline linking the Natuna Island fields in the South China Sea to Thailand. The two also discussed a proposal to build a bridge across the Malacca Straits, linking the Indonesian island of Sumatra to mainland Malaysia.

Coinciding with the summit, Indonesia's state oil company, Pertamina, released a statement Nov. 30, announcing that it had signed a memorandum of understanding with Myanmar to help upgrade its oil refineries and further exploration.

Asia

Indonesia, Malaysia plan for outer islands

Indonesia and Malaysia are planning to increase the rate of investment in infrastructure to develop their outer islands, according to reports in the Indonesian daily *Republika* on Oct. 30 and *Asia Times* on Nov. 18.

Malaysia's Sarawak (North Borneo) has been targeted for \$23.75 billion in infrastructure development over the next decade, including road, sea, and air networks, telecommunications, and agribusiness. Growth is projected to be twice the national rate.

In Indonesia, Minister for National Planning and Development Ginandjar Kartasmita said Jakarta will "create an atmosphere conducive to investors," by creating infrastructure in the outer islands, even if it is not cost-effective in International Monetary

Fund accounting terms. "The government has decided to build road infrastructure, although users do not yet exist," he said, in addition to granting tax incentives and other perks. He ruled out moving the capital, as a gimmick which has failed elsewhere to spur development, such as in Nigeria.

South Africa

Labor calls for new economic policy

The Congress of South African Trade Unions (Cosatu), South Africa's largest labor federation with a membership of 1.5 million, proposes to restructure the Central Bank, implement punitive taxes to discourage speculation, and lower interest rates, in a document released in November. "High interest rates and lack of commitment to economic development have resulted in hot, speculative investment," it says.

The plan, according to wire service reports based on a discussion document, "would represent the most serious concrete challenge by the democratic forces to the relations of economic power in the country." The document says that the Reserve Bank would have to be transformed to ensure that monetary policy assists rather than frustrates expansionary and developmental economic policies. "Measures to ensure productive investment should include prescribed assets which provide that a certain proportion of investments have to go into public projects and the introduction of tax disincentives to penalize speculation." It proposes a "reconstruction bond" for investment in public projects, a national training levy, and a national compulsory pension fund.

The document adds, "It is an opportunity for business to make reparations for the devastation they have created in this country over the apartheid years, to create social stability."

Other statements pulled from the document address income disparity: "A flattening of the wage and salary structure between the top and the bottom would represent a massive gain for economic redistribution, and reduction of inequality, given the size of the gap we have inherited." Cosatu proposes that

any "social accord" aimed at economic growth would need to "reorganize the wage structure and raise the living standards of the majority of workers. This may entail restraints or cuts for the high-paid, including management."

The document targets speculators and "hot money" which has hammered South Africa's currency, the rand, over the past year, and would drop South Africa's interest rates—among the world's highest in real terms. "There should be a deliberate policy of lowering interest rates," it says.

The African National Congress's Reconstruction and Development Program, launched in April 1994 when Nelson Mandela first came to power, has been farmed out to government ministries and has moved nowhere. Thus, Cosatu is attempting to resurrect the program, and is proposing that its rank and file approve a new package.

Italy

Indictments requested against British agents

Rome prosecutors have concluded a months-long investigation with a request for the indictment of Italian Prime Minister Romano Prodi, Mario Draghi, and other persons who in 1993 sold some state-owned companies for prices below their real value, Italian papers reported on Nov. 27. The investigation was prompted by parliamentary interrogations presented by Rep. Antonio Parlato (AN), who exposed the case involving three food companies belonging to the state-owned IRI conglomerate. A scheme for privatizations was discussed aboard the British royal yacht *Britannia*, on June 2, 1992. Draghi, director general of the Italian Treasury and chairman of the Privatizations Committee, was host at that meeting.

Prodi, Draghi, and a few others, including former board members of IRI, are accused of having sold the Cirio, Bertolli, De Rica (CBD) group below price, to a frontman who then turned it over to the Anglo-Dutch multinational Unilever and City of London-connected financier Mario Cragnotti. CBD had a turnover of 2,000 billion liras (over \$1.3 billion), and Prodi set the sale

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price at 500 billion liras. The front-man, a southern Italian small businessman named LaMiranda, paid for the CBD group, in part, by immediately re-selling one of the companies, Bertolli, to Unilever, for L 186 billion. The rest of the money came through a capital increase of LaMiranda's firm, bought up by Cragnotti, who then became owner of the remainder of CBD.

Prosecutors requested the indictment also because Prodi, who at that time was chairman of IRI, was, until a few months earlier, a paid adviser to Unilever. By taking over Bertolli, the Anglo-Dutch multinational got a strong position in the Italian olive oil market, threatening domestic producers with cheap foreign imports.

Eurasia

Indian defense analyst calls for land-bridge

A member of the Indian government-linked Institute for Defense Studies called for India to develop a land-bridge linking India, Southeast Asia, and Europe, in an article in the *Hindu*, the leading Indian daily, on Nov. 28. The article appeared as Chinese President Jiang Zemin arrived on an official visit, and was entitled "China and India, Between Cooperation and Competition."

"In addition, China is rapidly expanding its political, economic, and diplomatic role, through a promotion of the Eurasian land-bridge plan—the Silk Road—linking it with Russia, Central Asia, and Europe," the author wrote. "Vast untapped markets, resources, and trade would be opened up by such a high-speed communication and rail network. It is vital that India actively promote a similar land-bridge, linking it to Southeast Asia, and through Pakistan and Iran, to Europe. Enormous gains are possible, as the route opens up energy, agriculture, and industrial transfers through the entire region and transforms the economies of all states involved."

One source, who recently met various of India's leaders during a visit there, said that the economic and cultural developments in China in recent years, are prodding Indian elites to re-think what must be done to get

India more fully on a development path.

"It's an interesting evolution," he commented. "In the economic field, they are slowly realizing that they have been left behind, in a dramatic way, by China. The Indians were very comfortable that, whatever poverty they might have, it was not on a level comparable with China. But recently, things have changed. China has been having incredible progress, and not only in the economy. Also in terms of combatting illiteracy, for example, India is being left behind. The leading people are now beginning to grapple with the implications of this immense jump forward by China."

Medicine

Possible treatment for Ebola reported

According to the South African daily *Mail and Guardian* on Nov. 22, "South Africans may have stumbled across a treatment for the Ebola virus," a highly lethal hemorrhagic disease. It reported that "American scientists may shortly begin new experiments after the Gabonese doctor who brought the virus to this country responded well to steroids given to him by doctors who did not know he had the virus. Johannesburg Hospital's Prof. Guy Richards said he had quite recently treated 15 to 20 patients suffering from viral chicken pox pneumonia with steroids with 'magical results,' and he gave these to the Ebola patient. The patient's response has been passed on to American researchers, who say they will begin tests on primates soon."

The paper noted that at the forefront of the success is the National Institute for Virology (NIV), which was started 17 years ago after two young Australian tourists suddenly became ill in South Africa with high fevers, after travelling elsewhere in Africa. The name of the virus then identified was Marburg. "Spiders had been seen near where the Australians were bitten, and it was widely reported these may have been the cause of the virus. But it has never been proved. No one knows what hosts the almost identical viruses, Marburg and Ebola," the paper commented.

BENAZIR BHUTTO is fighting the International Monetary Fund loan being negotiated by Pakistan's caretaker government. In a letter to President Farooq Leghari released Nov. 24, the former prime minister said, "The nation demands to know what conditionalities you are discussing and promising without its consent."

SOUTH KOREA'S parliament on Nov. 26 ratified the proposal to join the OECD, under heavy pressure from President Kim Young-sam, Korean sources said. Opposition leader Kim Dae-jung said the OECD's extreme free trade policies would hurt Korea's economy.

THE BANK for International Settlements quarterly report warned against a sudden reverse in market "euphoria" because of a possible "turn in the interest-rate cycle." I.e., expect a market collapse as soon as some central bank raises interest rates.

THAILAND'S new government will be dictated by Amnuay Viravan, the main culprit who brought on the crisis that toppled the previous government. Amnuay, former chairman of Bangkok Bank, a drug bank, will head a "dream team" of economists, and fill economic positions. The team will push "liberalization, privatization and deregulation, and fiscal discipline," he said Nov. 18.

TRADE UNIONS should mobilize against the "conservative revolution," its free trade and austerity policies, with a renewed form of international cooperation, Pierre Bourdieu told a Paris conference on Nov. 23. The call for a "new internationalism" was backed by Bernard Thibault, general secretary of the General Confederation of Labor railway workers.

THE BANK OF MONTREAL said Nov. 26 that it made a record \$1.17 billion profit in 1996. It promptly went on the offensive, saying that it paid more than that in taxes. Analysts predict the "Big Six" Canadian banks' profits will top the \$6 billion mark.