

Business Briefs

Economic Policy

'Free market' is cause of problems, says banker

Erik Hoffmeyer, who stepped down as head of the Danish National Bank (central bank) in 1996, attacked the *Zeitgeist*, or today's fashion of "bowing before the free markets," as the cause of increasing social problems. He was writing in an article in the conservative Danish newspaper *Berlingske Tidende* on Jan. 5. It is the free market, and not the welfare state, that is the cause of the problem, he said.

"Markets will not do social work; we knew this in the 1950s, and we should still know it today," Hoffmeyer said. "The welfare state is not the cause of the problem today; but rather, market mechanisms have created human problems. The postwar attitude toward creation of the welfare state was created by the social polarization we experienced in the 1930s, together with the broad public debate we had on economic policy. The two go together. . . . Now I think there is a basis for people to begin to wake up. I don't want to be a doomsday prophet, but I clearly see parallels to the 1930s. Today we have a high level of welfare state, but market mechanisms are very brutal toward an ever-growing part of our population."

Finance

Japanese markets a 'wall of fire'

A "Japanese wall of fire" is threatening world stock markets, according to the weekly review on global stock markets in the Swiss financial daily *Neue Zürcher Zeitung* on Jan. 11. "A fire has broken out in the roof of the Japanese stock exchange," causing panic among investors. "If the fire cannot be put under control by next week, the fire will spread, according to expectations of market observers, toward European and U.S. markets."

The paper presents "one of the blackest scenarios," which is a further collapse of the Nikkei, the Japanese stock market, "turning the Japanese financial sector—and not only

the small institutions—into a state of financial disaster," causing "the liquidation of foreign assets by Japanese investors and banks, in particular in the U.S."

"What this would mean for the world stock exchanges," the paper said, "is hardly imaginable."

Thailand

Infrastructure to be sacrificed in privatization

Thailand's Minister of Transport and Communications, Suwat Liptapallop, announced on Jan. 8 that the Chavalit government plans to privatize a list of projects, including inter-province bullet trains, highways, a second national airline, a new Bangkok airport, and the telephone company, as pressure builds for the government to figure out how to cool off the overheated economy, including a forced shakeout of the overexposed financial sector.

The sell-off includes the Electricity Generating Authority, the Telephone Organization, and the Communications Authority, which together generate well over \$1 billion in profits per year. The three strategic industries have historically been run by the military or military-approved directors.

Meanwhile, the fight is escalating over whether Thailand should "go nuclear." The National Energy Policy Office, relying on a World Bank report, has come out against nuclear power, saying it will cost four times as much as other options. NEPO's director of Energy Conservation told a Jan. 3 meeting at Bangkok Town Hall that "private companies tend not to be interested in nuclear power plants, because they are too risky." He was seconded by Bangkok's governor, who told the meeting that a positive attitude is as important as effective utility services.

In mid-December, Deputy Prime Minister Samak Sunthorawet warned that Thailand faces a severe energy crisis within the next decade. He has the support of the Electricity Generating Authority of Thailand, whose officials announced, at the Bangkok Town Hall meeting, the selection of four possible sites for the country's first nuclear plant.

Health

Crisis is overwhelming the British system

The British National Health Service (NHS) is in its worst crisis in a decade, because of chronic underfunding and a shortage of resources, according to a paper leaked by the British Medical Association and reported by the Jan. 10 London *Independent*. What is immediately shaping up, is "a winter crisis of delays to operations and hospital closures," the daily said.

This was all reported at a very sensitive time, "as Britain experienced snow and freezing conditions, with accident and emergency centers across Britain reporting rapid increases in demand, leaving many stretched to the limit, and unable to cope. Hospitals are telling general practitioners not to refer any more patients until April, when money comes available for the next financial year. . . . The flu epidemic has also added to the strain on the NHS, with more patients and staff going down sick at the busiest times," the paper said.

A BMA spokesman says that the group is taking the situation "very seriously. Last October, we warned that the light was at amber, and if it gets worse, it would be at red. The red lights are now on. People are waiting in ambulances, because there are no beds. In Nottingham, the shortages are in crisis proportions. Letters have gone out, virtually stopping everything. We are getting reports of crisis in other parts of the country, almost daily."

Trade

Iran, Turkey sign economic agreements

Seven deals were signed during Iranian President Ali Akbar Rafsanjani's visit to Turkey, in December, according to *Iran Report* on Jan. 3. The first was signed by Iranian Minister for Roads and Transportation Akbar Torakan and Turkish Minister of State Resa Gonari. The others deal with the environment, each country's investments in the other, and

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trade. A protocol on the founding of a joint Turkish-Iranian chamber of commerce was signed. They discussed reviving a rail link formerly functioning between the two countries, and facilitating travel of Iranian pilgrims through Turkey to holy sites in Syria. "They also made agreements on introductory measures for the reconstruction of the Silk Road," said *Iran Report*. They agreed on energy transfer to Turkey, and reactivating an electricity grid from Basargan to Turkey; and implementation of projects for the development of overland transport among the members of the Economic Cooperation Organization.

In a press conference, Rafsanjani said the deals were not an anti-U.S. gesture. He said that in his private talks with Turkish President Suleyman Demirel, they found identity of views on various issues.

Demirel praised the great economic advances made by Iran in recent years, and said that the Iranian engineers and specialists deserved recognition for their construction of the Mashhad-Sarakhs-Tajan rail link. "To those who criticize Turkey for purchasing Iranian gas, we can only respond that Turkey is an independent country. We are determined to develop our cooperation with Iran further," he said.

Europe

Britain blackmailed EU on 'Mad Cow' disease

Britain is "the main subject on which most of the responsibility lies" for the bovine spongiform encephalopathy (BSE) epidemic, according to a draft report on the handling of the BSE crisis by a cross-party committee of members of the European Parliament, the London *Guardian* reported on Jan. 10. The epidemic among British cattle, which spread to the continent, has cost billions of dollars of damage so far, and fears remain that the fatal disease may be transmissible to humans.

British ministers are accused of failing to supervise measures taken to control the disease adequately and of trying to play down the potential dangers. "The problem does not reside in the lack of appropriate leg-

islative measures, but in the attitude of the government which has not guaranteed their correct application or carried out the necessary checks," the report said. "In addition, probably giving way to the influence exercised by the meat industry, the British government has influenced the veterinary services of the Commission for the purpose of trying to keep the matter within the national sphere and thus prevent Commission inspections and the disclosure of the extent of the disease.

"The impartiality of British experts cannot be trusted," the report said. "British experts on the European Union's committee investigating the disease were under Ministry of Agriculture control."

Petroleum

New deal sets pace in Central Asia

Turkish Prime Minister Necmettin Erbakan and Iranian President Ali Akbar Rafsanjani have quietly secured a deal with Turkmenistan, to transport its natural gas through Iran and Turkey. The deal potentially overshadows all others of its kind. It would potentially evade a rival agreement to transport Turkmenistan gas via Afghanistan and Pakistan, as proposed by Unocal, and endorsed by the Taliban.

The agreement was signed without fanfare in Teheran on Dec. 30, by Turkish Energy Minister Recai Kutan, Iranian Petroleum Minister Gholam Reza Aqazadeh-Khoi, and Turkmenistan Vice President Batir Serjaye. Eight billion cubic meters of natural gas from Turkmenistan and 10 billion cubic meters from Iran are to be piped through Turkey. A protocol was also drawn up to transport oil from Iran's Caspian Sea region to Ceyhan, Turkey, on the Mediterranean. Iran currently transports its oil from the Caspian in tanker trucks.

A Turkish Foreign Ministry official commented: "The transportation of Iran's oil to Ceyhan at a lower cost, and the rapprochement between Turkey and Iran, may cause a very cold chill between Turkey and Western countries. I hope Prime Minister Necmettin Erbakan is aware of this state of affairs."

ROMANIAN consumer and energy prices jumped on Jan. 1, based on the International Monetary Fund's recommendations to the government. The prices of bread and milk increased 20%, meat prices 50%, and gasoline prices doubled. Electricity prices will triple starting Jan. 15, and the price of gas for heating and cooking will increase 50%.

INDIAN economists, including former Finance Minister Manmohan Singh, have cautioned against full convertibility of the rupee, because that will expose the country to serious financial risks from international capital. The economists spoke at a symposium organized by the Sukhamoy Chakravarty memorial trust.

MYANMAR may get help from Iran in developing its oil, *Asia Times* reported on Jan. 3. Iran's use of islands in the Andaman Sea as a permanent staging area and transshipment point for South Asian sales, may be part of a deal.

A PHILIPPINES court has given the green light for privatization of Manila's waterworks, valued at \$7 billion and serving a population of 10 million, the London *Financial Times* reported Jan. 4. Lining up at the trough are France's Compagnie Générale des Eaux, Bechtel of the United States, and Britain's North West Water and Anglian Water.

UKRAINE'S grain production in 1996, excluding rice, collapsed by 40% compared to 1995 levels, down to 19 million tons. The reasons were a drastic reduction of yields and a reduction in the area planted. Rice yields fell 35%.

ARMENIA signed 12 agreements with Iran, during the recent visit to Armenia by Iranian First Vice President Hassan Habibi. The deals are in economic, trade, and cultural relations. Cooperation in pharmaceuticals, telecommunications, electricity and gas supply, environment, mining, transport, banking, customs, and education were agreed upon.