

Business Briefs

Finance

Globalizers snap up Southeast Asian firms

European and U.S. firms have bought up \$32 billion in assets of distressed firms in Southeast Asia in merger and acquisition deals, since the beginning of the year, according to Daniel Schwartz, publisher of the Hong Kong-based *Asian Venture Capital Journal*, the Singapore *Straits Times* reported on June 22. The number of deals is given as 479 just for the first four and a half months, far outstripping the rate of 711 deals for all of 1997, worth \$59 billion.

Leading the feeding frenzy are multinational corporations, banks, and money managers. Michael Koenke, chairman of mergers and acquisitions at Merrill Lynch Securities, said that many more potential buyers are sitting on the sidelines, waiting for the prices to drop even further. The *Straits Times* noted the concern of regional leaders in Malaysia, Thailand, and South Korea, that they are "losing control of their economic destiny" as a result.

Economic Policy

Hamilton revival boosted by author

"Restore Hamilton to His Pedestal," is the headline of a commentary in the July 3 *New York Times*, penned by Michael Lind, the Washington editor of *Harper's* magazine, and a leading promoter of the Hamilton "revival" over the past years. Lind bemoans the fact that Hamilton, the author of the *Report to Congress on Manufactures* and several other reports on banking and credit policy which have become known as the "American System" of economics, has been taken down from the American pantheon of Founding Fathers over the past 25 years, now to be vilified as part of "big government."

Lind is on solid ground in identifying Hamilton's key role in founding the United States, establishing the basis for its becoming an industrial power, and creating a national government strong enough to enforce

such things as civil rights. He contrasts Hamilton to Thomas Jefferson on the issue of slavery and industry. While Hamilton wanted an alliance between industry and finance, Lind scores business for opposing government as a "hindrance to their personal profit," and the "left" for liking government, while hating business.

"If either side should prevail, America will come to resemble a continental chaos of squabbling ethnic groups with an incompetent military, a feeble government and an economy that enriches only a tiny oligarchy," Lind writes.

Lind calls for renewing the Hamilton tradition, but then reveals his weakness by citing as one of the symbols of that tradition, the oligarchy-controlled, private Federal Reserve System. Also glaring, of course, is the omission of reference to today's successor to the Hamiltonian tradition, Lyndon LaRouche.

Eurasia

Iran, Russia pen accord on transport, shipping

Iran and Russia signed a letter of understanding on surface transportation and shipping on June 20. The agreement was signed by Iran's Roads and Transportation Minister Mahmoud Hojjati and his Russian counterpart Sergei Frank. Among other provisions, the letter provides for improving every existing capacity for surface transport between Iran and Russia, and shipment across Iran of cargo between Asia and Europe. The agreement also provides arrangements for improving Caspian Sea shipping and adjusting port tariffs for smooth traffic of authorized shipping between the two countries.

Meanwhile, Iranian Deputy Minister of Roads and Transportation Rahmad Dadman, who is also managing director of the Railways of the Islamic Republic of Iran, was elected head of the Silk Road group of the International Railways Union, the June 22 *Tehran Times* reported. The election apparently took place during a meeting of railway representatives of 25 nations in Brussels.

Dadman told the meeting, on World Important Corridors, that east-west and north-

south rail links will connect Asia to Europe, and Central Asia via Iran to the open seas. He reported that Iran intends to reform its construction and operating systems of the railways, and is seeking foreign investment to enhance these plans. Dadman's proposal for five working groups to be set up to research ways of expanding rail networks on the five important world corridors, was accepted by the conference.

Transportation

Maglev program gets another chance in U.S.

The Transportation Equity Act for the 21st Century, referred to as TEA-21, which has been signed into law by President Bill Clinton, authorizes a potential \$1 billion "magnetic levitation transportation deployment program." For more than 20 years, transportation planners and legislators, especially Sen. Daniel Moynihan (D-N.Y.), have tried to begin a program of developing a maglev transport system in the United States.

In Phase I, the funding would start in fiscal year 1999, with \$15 million allocated from the Highway Trust Fund; \$20 million from the fund would be applied to the program in FY 2000, and \$25 million in FY 2001. These amounts would be used to conduct detailed engineering studies of potential corridors for a maglev system, such as Baltimore-Washington, Las Vegas-Los Angeles, or Atlanta-Chattanooga. After the engineering studies are completed, Congress will decide if the competition has produced "a viable project," according to a staffer at the House Transportation Committee.

Phase II involves the remaining nearly \$950 million required for the construction of a working maglev system, which is not authorized to be taken from the Highway Trust Fund, but will have to be appropriated by Congress during the annual budget cycle over several years. The Federal funding cannot be more than two-thirds of the total cost of the system, and Congress prefers financing to be through public-private partnerships.

MOBIL OIL and Kern Energy-Texuna, an Anglo-Chinese consortium, on June 16 won the first tenders to develop Turkmenistan's Caspian Sea oil deposits. Mobil acquired the rights to develop the Serdar deposit (also claimed by Azerbaijan), with estimated reserves of 150-200 million metric tons of oil. Kern Energy-Texuna will develop the smaller Gapan oil and gas field.

ROBERT RUBIN, the U.S. Secretary of the Treasury, commented that the crisis in Southeast Asia is "truly unprecedented," during a visit to Malaysia on June 28 and 29. Rubin also visited Thailand and South Korea.

ISRAEL'S unemployment rate rose to 8.8% in April, at 198,000, up from 8.3% in January and 7.7% last year. It has steadily increased by 0.1% every month. Amir Peretz, chairman of the Israeli Histadrut trade union movement, has demanded that Prime Minister Benjamin Netanyahu "immediately form a national emergency headquarters to combat unemployment."

DURABLE GOODS orders in the United States dropped 2.6% in May. Orders for primary metals, such as steel, fell 4.1%, and orders for industrial machinery and equipment fell 6.8%. Merrill Lynch economist Gerald Cohen said, "Asia's collapse and a domestic inventory overhang are taking a toll."

TOYOTA faces a downgrade of its top-rate triple-A long-term debt, affecting \$2.87 billion worth of securities, Moody's announced on July 3. Peter Boardman of Warburg Dillon Read said that the downgrade is not warranted. "It's a country risk and not a company risk," he said.

SOUTH AFRICA has concluded a \$175 million arms-for-oil deal with Libya, in overt defiance of a UN arms and trade embargo imposed on Libya for its refusal to hand over two suspects falsely accused of the bombing of Pan Am Flight 103 over Lockerbie, Scotland on Dec. 21, 1988.

According to the U.S. representative of the German Transrapid, it is a "big, intimidating challenge to come up with the one-third private money." He, and a handful of others who have been lobbying for a maglev system in the United States for many years, believe that the only way to finally get it built, is to get some private capital into the project. The need for a "new approach" was indicated by a staffer for the House Appropriations Committee, who reported that maglev funding had been authorized in the previous multi-year transportation bill, known as ISTEPA, but the funding was never appropriated.

Health

Report on AIDS gives alarming global picture

On June 22, UNAIDS and the World Health Organization issued a report on the global HIV-AIDS epidemic. The report indicates that by the beginning of 1998, more than 30 million people worldwide had been infected with the human immunodeficiency virus, which causes AIDS, and that 11.7 million people had lost their lives to the disease. There are nearly 16,000 new infections per day. During 1997 alone, there were 5.8 million new HIV infections, and some 2.3 million people died of AIDS. In roughly the same number, HIV infections developed into symptomatic AIDS. HIV is among the top 10 killers worldwide, and, given current levels of HIV infection, it may soon move into the top five, overtaking diarrheal diseases.

Nearly 600,000 children were infected with HIV in 1997. The number of children under 15 who have lived or are living with HIV since the start of the epidemic in the late 1970s has reached around 3.8 million; 2.7 million of them have died.

The areas hardest hit are in the developing world, mostly in nations least able to afford to care for those infected. Roughly 89% of people with HIV live in sub-Saharan Africa and the developing nations of Asia, which between them account for less than 10% of global Gross Domestic Product.

Demographically, HIV has caused huge increases in death rates among younger adults, just the age when people are having children. In rural areas of East Africa, 4 of every 10 children who have lost one parent by age 15 have been orphaned by HIV-AIDS. Some 8.2 million children have lost their mothers to AIDS. In 1997 alone, approximately 1.6 million children were orphaned by HIV, over 90% of whom live in sub-Saharan Africa.

In eastern Europe, the rise in infection rates has been dramatic. At the start of 1995, there were about 30,000 infections among its 450 million people. But, since then, infections have increased sixfold. By the end of 1997, some 190,000 adults in the region were living with HIV infection. In the Russian Federation, it is estimated that for every person who has tested positive for HIV, another six, who are untested, are infected.

Central Asia

Turkey-Turkmenistan gas pipeline under way

Turkey has completed a tender to construct a natural gas pipeline from the town of Erzurum in eastern Anatolia, to Ankara, the capital, as part of a project linking the country to Turkmenistan and Iran. The tender for a 1,215 kilometer (755 mile) section of pipeline was issued in December, and bids were received in March. Contract negotiations are now set to begin with the companies selected for each of the four sections of the pipeline. Turkey's Alarko-Alsim, and Russian-Turkish and Ukrainian-Turkish consortiums were chosen by the Turkish government to build the different sections of the pipeline.

The Turkish section of the pipeline is scheduled to be completed within 19 months. Another consortium was previously awarded a tender to build a 300 km section of the pipeline between Erzurum and Dogubeyazit, near Turkey's border with Iran, to be connected to the line from the western Iranian city of Tabriz. Iran is building a 270 km pipeline between Tabriz and the Turkish border. The pipeline will have the capacity to carry 16 billion cubic meters of gas annually.