# Business Briefs

### *Economic Policy*

## China's President seeks 'new economic order'

Chinese President Jiang Zemin called for a new world economic order, in speeches in Ethiopia and Kazahkstan. On May 13, he told the Organization of African Unity, meeting in Addis Abeba, Ethiopia, that China and Africa must look toward the future, the *China Daily* reported. China and Africa should join hands to establish at an early date, a just and equitable new international political and economic order, based on the "five principles of peaceful coexistence," to advance world peace, development, and progress.

Jiang said, "China steadfastly supports African countries in their efforts for economic development, and will continue to provide, within its own means, government assistance to them with no strings attached."

On July 5, in Alma Ata, Kazahkstan, Jiang called for immediate moves to change "the unjust and inequitable international economic order." He said that developed countries must do away with trade protectionism targetted against developing countries and discriminatory trade policies. He stressed "South-to-South cooperation." China is open to both developing and developed countries, and is ready to increase cooperation with developing countries, including in Central Asia, "to promote common development and prosperity."

### *Russia*

## A financial crisis looms, Livshits admits

At a July 9 press conference, Russian President Boris Yeltsin's aide for economic matters, Aleksandr Livshits, was asked whether "a major financial crisis" would engulf Russia this autumn. Livshits had no assurances to offer, replying, "We have always kept such a possibility in mind, and we do so now, too. The government securities market is indeed extremely sensitive. . . . The situation that we may face in the fall is quite understandable, and we are already taking the necessary preventive measures. I mean, we have been working to gradually reduce return rates, limit borrowing only to refinancing."

As to a banking crisis, Livshits said, "I do not think that such a reality exists. We hope that the Central Bank is monitoring the situation and by means of preventive measures will nip the danger in the bud." Livshits called himself "an ardent champion" of opening the Russian government bond market to foreign investors.

Given the low level of tax collection and his plan to issue state credit only for refinancing, he was understandably vague about making good on promises to wage-earners and pensioners. He said that the situation with pensions was "much worse" than with wages. The state pension fund has a deficit of 7 trillion rubles ($1.4 billion). He suggested that persons born in 1917-21 might begin to be compensated for their savings account losses (wiped out by inflation, during the first year of "reform") by the end of this year. Such people are now 18 to 22 years older than the average life expectancy for men in Russia.

### *Central Asia*

## Iran's minister outlines development policy

Iranian Foreign Minister Ali Akbar Velayati outlined his government's policy for regional cooperation in Central Asia and the Caucasus, at the Crans Montana Forum, held in Switzerland June 20-23. He discussed this in the context of "the outstanding undertaking . . . the Silk Road Revival project." "With actual realization of this project, Iran took a great leap forward in opening a new window to the outside world for Central Asia and the Caucusus," he said.

The principles underlying this policy, he said, are "1) national security is an inseparable part of regional peace, stability, and security; 2) national security is an inseparable part of regional development; and 3) national development is an inseparable part of regional development. . . . We know well that we cannot have a peaceful country in a region plagued by instability and we cannot have a rich country in a region of poverty."

Velayati stressed the importance of swap transactions with oil-producing countries, whereby they supply Iran, and "Iranian crude is exported from Kharg Island to consuming markets in the name of these countries." These arrangements can save the newly independent states costs of pipelines, in the initial phases of development, earning them financial resources which can then be invested in their economic development. Similar coöperative schemes involve transporting Turkmenistan's natural gas to Europe via Iran; using it in northern Iran at the Neka Power Plant; Iran's participation in the Azerbaijani Shah Deniz Oil Consortium; transmission of Iranian natural gas to Nakhichevan and Armenia, thence to Georgia and Ukraine; and swaps of Khazakhstan oil.

### *France*

## 'Marshall Plan' urged to relaunch economy

The Republic and Liberty group in the French National Assembly made public on June 19, an excellent proposal to relaunch the French economy. This group is composed of conservative politicians such as Jean Royer, the former mayor of Tours, and others from the left-wing camp of Jean-Pierre Chevènement. The proposal was presented by Royer as a way to halt the huge drop in investments in the productive economy, which fell from 1,067 billion francs (roughly $215 billion) in 1991 to FF 733 billion in 1994. Industrial investment alone, the leading edge of productive investment, dropped from FF 223 billion to FF 175 billion.

"Only the state," stated Royer, quoting a Grenoble economics professor, "can launch an investment policy which is up to par with the situation." He cited the U.S. New Deal, the postwar Marshall Plan, and de Gaulle's infrastructure investment plans, as examples to follow. "From 1932 to 1939," he said, "Roosevelt, who had to face an enormous crisis—unemployment totalling 17 million

U.S. workers—had launched a great-projects plan in three steps, among them the Tennessee Valley Authority, for instance, creating a fund for projects of several billion dollars."

The plan calls for strengthening productive investments through low-interest, long-term credit (10- to 45-year credit at 2%) for: small firms, key sectors of which, such as machine tools, paper, and furniture, are in bad shape; soft infrastructure, such as hospitals and schools; and heavy infrastructure, including dams, canals, and completion of 3,500 kilometers of high-speed rail lines. It calls for the Bank of France to provide FF 500 billion over five years, through a special facility that already exists in the Treasury, to finance the program.

*Spain*

## Anti-privatization platform drafted

A coalition opposed to the government's plan to privatize public health services, has stalled such plans. The newly formed group includes the Communist and Socialist trade unions, and groups such as the Association to Defend Public Health Care, Spanish Confederation of Parents of Schoolchildren, and the State Confederation of Consumers. Their platform says that the government's recent decree introducing "new forms of management" to rule the public hospitals, is in fact a pretext for cutting off public financing and turning private insurance firms into the real bosses of the system.

Government fear of a strike wave like that in France in December 1996 prompted Health Minister Romay Beccaria to say that state financing of hospitals would continue, and that there is no intention of privatizing the service. His remarks were greeted with skepticism by all political tendencies, *El País* reported on July 9. Cuts, he said, will be borne by "the laboratories, the pharmacies and the public health bureaucrats." When the new government first said investment in hospital infrastructure would be stopped, they were told that the public hospitals are "falling to bits" and that the "high technology" was high—decades ago.

Our aim, said Romay, is simply to "put a ceiling on what will be allowed to increase by only 1% a year. Pay raises for public health officials will be limited to 1.5%; pay for these officials is 60% of the ministry's total budget. The government also decided not to introduce the "dissuasive" method used in France to lower health care costs, by which those insured with the public health service must bear 30% of all medical costs themselves.

*'Free Trade'*

## Asian 'tiger' economies run into export slump

Member-nations of the Association of Southeast Asian Nations (ASEAN) suffered a sharp slowdown in export growth in the first four months of 1996, as the would-be "tiger" economies are losing their "competitive edge" to cheaper labor markets in China, India, Vietnam, and Burma, the July 13 *International Herald Tribune* reported. Singapore and Malaysia have been particularly hard hit by a slump in the world electronics market, in which they had concentrated substantial manpower and resources. Hewlett Packard announced July 10 that it will close its disk-drive manufacturing facility in Penang, Malaysia's "Silicon Valley," while Singapore "restructured" more than 7,000 jobs in 1995.

Thailand is the hardest hit, with a $6.4 billion increase in its foreign trade deficit in the last two years. Bangkok is feeling the pinch of its too-small and less-skilled workforce, and serious transport and infrastructure bottlenecks. Chulalongkorn University recently reported that the illegal economy, led by prostitution and gambling, is consuming manpower and development resources at a rate greater than the annual budget of the country.

The challenge, the paper said, is to "climb the ladder of industrialization by upgrading skills and attracting increased investment in manufacturing plants." However, ASEAN's targets are for full trade liberalization and tariff reduction by 2003, which will worsen the situation.

# Briefly

**CANADA** signed an agreement to supply two 700-megawatt, heavy-water nuclear reactors for the Qinshan plant, near Shanghai, China, Xinhua news agency reported July 14. "This is the key agreement, finalizing the price, terms and financial conditions," a Canadian diplomat said.

**FRANCE'S** economics minister, on July 12, announced measures to reduce the tax burden on international banks and financial institutions based in France, and on their expatriates working in France. According to official statistics published the same day, salaries in France have fallen by 0.4% over the past 12 months after adjustment for inflation.

**JORDANIAN** Supply Minister Munir Sobar announced June 30, that the price rises for bread (over 300%) scheduled for July 15 would not be implemented, because of social protests, the July 1 *Jordan Times* reported. The increase is a demand of the International Monetary Fund.

**THE NAMIBIAN** Agricultural Union is seeking international help to address the financial problems of the country's agricultural sector, the July 10 South African *Mail and Guardian* reported. The NAU said that few commercial farmers would survive without subsidizing interest rates. The number of beef cattle has declined by 56%, from 2 million in 1955, to 870,000 in 1995.

**AMSCHEL ROTHSCHILD,** heir apparent of the London merchant bank, reportedly committed suicide on July 8. Amschel was the second son of the late Lord Victor Rothschild, and is a half-brother to Lord Jacob Rothschild. Friends told the media that he was not depressed.

**MILK** production in the 22 top milk producing U.S. states (which account for 86% of U.S. milk produced) declined 0.3% in the first quarter, compared to 1995, the International Dairy Foods Association reported on June 13. Skyrocketing feed-corn prices have forced a 0.83% cut in herd size.