

Business Briefs

Economic Policy

Tax the speculators, says Chinese economist

Hu Angang, the leading economist who is an advocate of developing China's interior, proposed taxing speculators to meet national revenue needs, in a commentary in the Jan. 23 *Asia Times*. He proposes that the government create "new, exclusive tax resources," which can serve the needs of the economy without taking revenue from local governments. The best source for new revenue, he said, is "collecting taxes from stocks, bonds, options, and foreign currency."

The "Tobin tax," a proposal by Prof. James Tobin for a 0.2% tax on financial transactions, has been discussed widely over recent years in China. Hu Angang also proposes centralizing social security systems, investing the money in government bonds, and new value-added taxes on the service sector.

Also, "Beijing must regain control of the nation's taxes," he said. The two-tier tax system implemented over the past few years, splitting tax revenue between Beijing and the provinces, has "not measurably improved the central government's financial condition." He insisted that "it is imperative to re-centralize some of the country's government power."

Investment

Innovation and R&D are key, says French adviser

Bernard Esambert, who advised France's late President Georges Pompidou on industrial matters, said that the key to solving the current economic crisis, is to invest in "innovation and research and development," in an interview with *Figaro Economy* on Feb. 2. "This is the only way," he said, "to counter the constraints of cost competition by the newly developed countries."

Esambert's view as to how "Europe can become the great economic continent," puts forth proposals which go against the Malthu-

sian views adopted by the French elites in recent years. There is no reason why France couldn't return to growth rates of over 3%, he said. The precondition is not to be "short-sighted and Malthusian." He attacked the elites' lack of "a grand design," and the illusion of those who think that the Maastricht criteria can have a positive impact.

Esambert said it was a shame that in recent years R&D spending has plummeted, and called for the creation of an Armard-Rueff committee (named after the two economists who created de Gaulle's economic boom) to reevaluate all current state employment assistance to companies, in order to transform it into a serious policy to aid innovation for small and medium-sized companies. We have "to abandon this Malthusian behavior which only brings death and which only leads us to rationing," he said, calling for French society to become more "Promethean."

Unfortunately, Esambert also favors freezing wages and increasing part-time employment, in the tradition of the United States, Holland, and now Germany.

Space

India to develop space plane technologies

India is considering developing a series of small technology demonstrator vehicles to indigenously develop critical technologies needed for a reusable aerospace plane, according to Dr. S. Sreenivasan, director of the Vikram Sarabhai Space Center in New Delhi, *The Hindu* reported on Jan. 31. Such an aerospace plane would have to function both as a hypersonic aircraft and as a space vehicle, he said, in the Dr. Biren Roy Trust Lecture at the annual general meeting of the Aeronautical Society of India.

Given the cost of development, an international effort would probably be needed to design and build the plane, he said. India needs to develop indigenous capability in critical areas of technology, if it wishes to participate in an international endeavor of this nature.

"We may be the first country to plan the

critical technology development through small flight demonstrators," said Dr. Sreenivasan. This strategy would minimize the risks, cost, and time needed for development. Both the Indian Space Research Organization and the Defense Research and Development Organization have carried out studies on small demonstrator vehicles.

Eurasia

Uzbekistan President promotes land-bridge

Uzbekistan President Islam Karimov spoke of building a "Shanghai to Paris railroad," in a press conference on Dec. 27, 1996 in Tashkent, the Foreign Broadcast Information Service reported.

In answer to a question from a Russian journalist, Karimov described the current rail-building projects going on in Uzbekistan. He said: "You ask how realistic is the grandiose route that would link us with the port of Shanghai. I want to tell you: We are in the process of negotiations with China and Kyrgyzstan regarding this project. The P.R.C.'s five-year plan envisages construction of a rail link to Kashi within three years. This project has been designated as a priority in China. The task of the two countries—Kyrgyzstan and Uzbekistan—is to build a rail link to Kashi from our side. We are currently conducting negotiations and mapping the route."

Karimov said, "This project could be very significant. It can link Shanghai and Paris. The rail line will traverse 12 countries. It has already been completed everywhere else—all that remains is to build this segment.

"What sources of financing will be brought in? . . . I can only tell you with absolute certainty that international corporations and well-known companies are showing great interest in this project. The most important point is that this is not fantasy—this is a real project that can be realistically implemented within five years."

On internal rail projects, Karimov said: "The rail link under construction will run from Zarafshan to Nukus. . . . This is approx-

Briefly

imately three times longer, and therefore the project cost is much higher. The second project, building a Guzar-Baysun-Kumkurgan rail link, also is a very large and complex project, because it involves a mountain crossing."

Another project, a highway from Angren through the Kamchik mountain crossing, "is currently in the implementation stage," he said. "This motor transport route also is very complex because it will require two tunnels. We should be finishing it in 1997. This highway will enable us to link Tashkent with the Fergana Valley, bypassing the territory of Tajikistan's Leninabad Oblast. We have no problems with financing these projects. . . . The highway project can be completed within 1.5 years."

Transportation

Japan to help China with bullet train

The research arm of the Japanese Railways group of companies, the Railway Technical Research Institute, said on Jan. 29 that it has signed an agreement with China's Railway Research Institute to conduct tests toward providing digital automatic train control (ATC) technology to help China build a high-speed bullet train system linking Beijing and Shanghai, Kyodo press reported, according to the Foreign Broadcast Information Service on Feb. 6.

ATC is a computerized system that controls the speed of a train by electronically measuring the distance between it and the train ahead. The deal with the China Academy of Railway Science calls for joint tests along a nine-kilometer experimental track on the outskirts of Beijing to verify whether Japan's ATC technology can be applied to China's high-speed train project.

China plans to build the high-speed train system by the 21st century, under which bullet trains would initially travel the 1,300 km between Beijing and Shanghai at 250 km per hour. Beijing plans to boost the speed to 350 kph eventually. The accord also calls for delivering the experimental facilities to China's test track by August, and installing the digital ATC in an electric locomotive to be

supplied by the Chinese. The two sides will conduct a series of tests over the subsequent 12 months by teaming up with three Japanese ATC-related manufacturers.

Digital ATC is an advanced version of the ATC, that is so precise that time intervals between high-speed trains can be shortened more than with trains equipped with conventional ATCs. A spokesman for the research body said that the research team, China, and the group of three Japanese makers also agreed "in general" to evenly share the estimated cost of roughly \$1.2 million needed to undertake the experiments.

Philippines

Supreme Court favors 'national patrimony'

On Feb. 3, the Philippines Supreme Court awarded a \$30 million contract to purchase the government's majority share in the historic Manila Hotel to a Filipino group, whose bid was less than that of Malaysia's Renong group and U.S.'s ITT Sheraton, under the "Filipino first" clause of the Constitution, the Feb. 6 London *Financial Times* reported. The court cited "national patrimony" as the principle on which to prohibit awarding the deal to a foreign consortium. The court has also suspended contracts awarded in the \$7 billion privatization of the Manila Waterworks and Sewerage system. The decisions have dealt a setback to President Fidel Ramos's privatization program.

Six foreign chambers of commerce issued a joint "statement of concern" to President Ramos, threatening that "excessive challenges to public biddings" mean foreign investors "will go elsewhere unless the rules are clear, consistent, and do not change to suit the losing bidders." Endorsing the statement were the Chambers of Commerce for the United States, Japan, the European Union, Australia, and New Zealand.

Prior to the rulings, the privatization program had run aground, bringing in only one-fourth of the 1996 target of about \$1 billion in revenue. Of the funds received, the majority came from the sell-off of Ft. Bonifacio to Hongkong investors, negotiated in 1995.

CANADIAN official unemployment figures released on Feb. 7, of 9.7%, and which have hovered at about 9% for 76 consecutive months, were the "worst . . . since the Depression of the 1930s," the *Toronto Globe and Mail* commented. The figures show "no sign of letting up."

CONTAINER traffic in Lianyungang, China, the terminus of the "second Euro-Asian continental bridge," handled 12,118 containers, a 47-fold increase in 1996, Xinhua reported on Jan. 30. "The cargo transported through the bridge has turned from one-way to dual-way and diversified, from machinery to chemicals, electronics, light industry, and agricultural products," it said.

ALBANIAN depositors were hit with another \$300 million in losses in the collapse of "Gjallica," a pyramid scheme fund, on Feb. 6, the fourth this year. The remaining big funds, Vefa Holding, Kamberi, Cenaj, and Silva, announced on Feb. 5 that they have joined to form a new institution in an attempt to avoid bankruptcy.

MORGAN STANLEY has announced a \$10.2 billion deal in which it will take over Dean Witter brokerage company. It would have a capital base of \$23.3 billion, making it the largest investment bank/brokerage firm in the world, with annual revenues of \$12 billion.

AUSTRALIA had 17,362 bankruptcies in 1996, or 23% more than in 1995, according to the Inspector General in Bankruptcy's Annual Report for 1996, the Feb. 4 *Australian Financial Review* reported. "Anecdotal evidence from accountants around the country says [the rate] is not slowing down," one accountant said.

CZECH rail workers reportedly agreed on Feb. 9 to end a strike which has shut down rail traffic in the republic. Railway union president Jaromir Dusek said the government had backed down somewhat from its plan for mass layoffs and when downsizing in "free market reforms."