

Business Briefs

Economic Policy

D-8 working groups map out projects

On May 2-3, the first meeting of the industrial working group of the Developing 8 (D-8) group of nations took place in Ankara, Turkey, to identify industrial projects for joint investment, the Iranian daily *Ettela'at* reported on May 5. Turkey, which is chairing the working group, proposed 30 projects, of which the three leading ones were: a D-8 automobile manufacturing capability, to produce 2-5 million cars per year; an airplane production capability, to produce 150-seater planes; and, a textile machine production capability, to overcome the trade gap between textile goods exports and machinery imports.

Iran proposed 12 projects, including manufacture of passenger aircraft and locomotives, and projects in the auto industry, electronics, and small and medium-sized industries. The Iranian envoy to the meeting, Mohammed Sardarnia, told the press that the first automobile manufactured entirely by Iran would be on the assembly line in 1999. He also said that Iran had begun manufacture of a 50-seater plane, and was studying production of larger aircraft.

Turkish Minister of State Abdallug Gul said that the D-8 was not trying to create a new Muslim bloc, but rather was exploring means of cooperation among members in new areas. Sedat Celik-Doghan, adviser to Turkey's Prime Minister Necmettin Erbakan, said that Turkey would present 30 projects for joint investment.

The working group on telecommunications and information, chaired by Iran, will meet in Teheran on May 6.

Infrastructure

Indian officials pan high interest rates

The Indian Parliamentary standing committee on finance expressed concern that the continuing high rate of interest being

charged by public sector banks could adversely affect the start of infrastructure projects in the country, in a report released in early May. "The key issue for industry is whether any projects, especially infrastructure projects, will be viable at such high real interest rates," the committee said, as reported in the *Business Standard* of New Delhi on May 8.

The committee warned that despite the support provided by the slack season credit policy, the high interest rates would harm domestic industry's prospects of becoming globally competitive. Although most of the banks have fixed their prime lending rates at 14-14.5% annually, their effective interest rates remain in the range of 16-17%, the committee members observed.

"The committee doubts whether any of the public sector banks extend loans to even the best-rated corporations at their prime lending rates," said the report. Factors considered by banks in setting interest rates on loans and advances include productivity and efficiency, the average sales per employee, and the level of non-performing assets in a particular firm.

Germany

400,000 construction jobs are threatened

The general collapse of new contracts, and especially the disappearance of public sector contracts for housing and infrastructure projects, as well as the decrease of commercial and industrial construction projects by about 25% during the first quarter of 1997, mean that of the 1.3 million construction workers in Germany, at least 400,000 are certain to lose their jobs, Fritz Eichbauer, president of the German association of construction firms, warned in a report on May 8.

Worse, the European Union's Maastricht policy will deregulate the markets and lead to a stream of foreign construction firms that undercut prices, coming into the German construction market, Eichbauer said.

Meanwhile, a report prepared by Hanover's Pestel Institute (named after the late Club of Rome co-founder Eduard Pestel), for

the state government of Thuringia, insanely claims that a drop in population growth reduces the need for new construction projects. By the year 2000, there will be 10% fewer citizens in Thuringia than in 1988, and far fewer young people, so that there is a reduced need for housing and schools, the report says. Construction of new homes could be reduced from 20,000 per year to 7,000, which, along with other reductions, for example, in department stores and office buildings, would imply significant relief for the state budget, if coupled with a better distribution of unused housing, the authors of the report say.

The same argument is also made in a recent study by the Berlin-based IGES group. In a report on the health sector of the state of Rhineland-Palatinate, it proposes to close down 15% of the state's hospital capacity. In pediatrics and obstetrics/gynecology, reductions could exceed 25%, it said, eliminating 3,900 of 28,000 hospital beds in the next five years.

Finance

Italian economist attacks globalization

In a new book, *Unemployment and the Third Capitalism*, economist Paolo Savona, former industry minister in Italy's Silvio Berlusconi government, attacks globalization as a dictatorship which gives power to financial oligarchies, takes sovereignty over monetary policy away from nations, produces unemployment, and destroys the social fabric of a nation.

"A new form of democracy (but I doubt that democracy is the right word to define it) is emerging, in which policies are not proposed by governments and decided by parliaments, but proposed and not infrequently decided by financial markets, above all the international financial market," Savona writes. This dictatorship, he says, is composed of "those who possess, or more simply can move, huge masses of money from one place to another, exploiting market liberalization, globalization, information systems, and the abdication by monetary authorities

to control those masses of paper. . . . It is an economic-financial oligarchy, that is, a limited number of persons in relationship to the inhabitants of a country or of the world. . . . Markets today count for more than parliaments, never mind the 'man in the street.' . . . It is the international financial market which has monetary sovereignty."

Savona reports on an initiative for a new international monetary order. "The Guido Carli Association, recently founded by the Italian Senate, the Banca d'Italia, Confindustria [industrialists' association], LUISS university, and Mediocredito Centrale bank, and chaired by [Banca d'Italia] Governor Fazio, wants to propose anew the issue of a functioning international monetary system." Savona says that "the fight can be won, however, not at the level of a single country, but rather through an international agreement. . . . The responsibility still rests upon those authorities which count: the United States and Germany, first of all, but Japan as well."

Trade

China, Iran improve economic cooperation

Economic cooperation between China and Iran was strengthened during the visit to Iran of China's Vice Premier Li Lanqin, for a meeting of the Ninth Sino-Iranian Economic Cooperation Commission, beginning on May 3. He was accompanied by a 60-member delegation of economic and policy advisers.

"Iran, China, and Russia are three important and strategic states in the region and the world, and they should strengthen their relations," said Iranian President Ali Akbar Hashemi Rafsanjani, during his reception of Li Lanqin on May 4. He added, "Iran, China, and Russia have major economic, political, and industrial and trade potentials, and the trilateral cooperation among them can meet their needs and contribute to the development of regional cooperation." He emphasized that cooperation between Teheran and Beijing "promotes peace and stability in the region."

The two sides signed a far-reaching economic agreement to complete several joint projects in Iran, including a cement factory, and on the transfer of satellite communications technology. They also agreed to increase cooperation in shipbuilding, fisheries, and transport. Iran will boost its oil exports to China by 43%, to 100,000 barrels per day, over the next two years. China's current investment in industrial and infrastructure projects in Iran stands at \$1.3 billion.

Eurasia

Italy improves economic ties with Kazakhstan

Italy's President Luigi Scalfaro discussed expanding economic cooperation with Kazakhstan's President Nursultan Nazarbayev, during a visit to Almaty, the capital of Kazakhstan, the Italian daily *Sole 24 Ore* reported on May 6. Scalfaro was accompanied by Undersecretary of Foreign Affairs Piero Fassino, and Guglielmo Moscato, the president of AGIP, the state-run oil company.

Italy's presence in Kazakhstan, through AGIP, includes work on the huge field of Karachaganak (oil and condensed gas); participation in a consortium to build a pipeline from the Caspian Sea to the Black Sea, capable of transporting 60 million tons per year; and exploration of the Kazakh offshore area of the Caspian Sea. Italy is Kazakhstan's seventh largest trade partner, and second in the European Union.

In addition to economic cooperation deals, Scalfaro signed a treaty of friendship and cooperation, the first of its kind in the region, which provides for regular political consultations over 15 years. Scalfaro said that he and Nazarbayev had found they shared "a largely identical evaluation" of the main international problems. The treaty also covers joint work in the fight against terrorism and drugs.

It should be recalled that Enrico Mattei, the founder of ENI-AGIP, had a vision of such cooperation throughout the Mediterranean and in the East. ENI has designed a huge project for development of gas and oil capabilities in Central Asia.

Briefly

MYANMAR and China have agreed to build a new channel along the Irrawaddy River, which is expected to speed development in the Chinese provinces of Sichuan, Guizhou, and Yunnan. Kunming, the capital of Yunnan, will have direct access to the Indian Ocean, thus avoiding the Malacca Straits, Xinhua news agency reported on May 6.

ROMANIA'S farmers are staging protests against the International Monetary Fund-dictated program, including lowering of import tariffs. Agriculture Minister Dinu Gavrilescu has said that a growing portion of consumption of meat, milk, and milk products is to be covered by foreign imports.

INDONESIAN President Suharto praised full-set industrial development, at the inauguration of a new Pure Terephthalic Acid plant built by Texmaco. The firm, he said, is aiming for "vertical integration . . . which also lays the groundwork for a national industrial base."

A NEW MEKONG "economic circle" was discussed by the foreign ministers of Thailand, Cambodia, Laos, and Myanmar on April 20. The proposal is distinct from Mekong development plans, and emphasizes rail and road routes reconnecting the ancient trade routes of the region of 260 million people, also to include Vietnam and Yunnan province, China.

A GAS PIPELINE which will deliver gas from Turkmenistan to Pakistan, has been agreed to by all Afghanistan factions, the managing director of Bidas, the Argentine firm which proposed the project, said in Kabul on May 4.

NIGERIA has awarded a \$23 million contract to a French company to install modern instrument landing systems at its 19 airports. Aviation Minister Air Commodore Ita Udo-Imeh said, "We have also awarded a contract for the survey of our entire airspace for radar coverage."