

Business Briefs

Trade

India's business sector says, halt tariff cuts

The Federation of Indian Chambers of Commerce and Industry is demanding a year moratorium on further cuts in import tariffs, to allow Indian industry time to "gain adequate strength," the Indian daily *The Hindu* reported on Sept. 8.

The federation says that over the past seven years, as the government has made significant moves to open the Indian economy, it has lowered import tariffs from a peak of 300%, to 40% in the 1997-98 budget. The federation argues that any further reduction should be "linked with improvement in the investment climate and should include reduction in costs of inputs and finance better infrastructure facilities," among other measures.

The federation's logic in arguing for the hiatus is that "Indian industry has been hamstrung over the past 40 years due to various controls and regulations, so some adjustment time, say 5-6 years, should be given to Indian industry to gain adequate competitive strength."

Bosnia

Assist reconstruction, German official urges

Dietmar Schlee, the German government's Bosnia coordinator, called in August for steps to accelerate the reconstruction of Bosnia, including the creation of circumstances in which returning Bosnian refugees could participate in the reconstruction of their country. Most importantly, he called for a credit program for Bosnia similar to Germany's Kreditanstalt für Wiederaufbau, which was key in Germany's recovery after World War II, including sponsoring the establishment of new firms.

Schlee also urged that European Union and other donors provide assistance in a more timely manner; that German firms contribute to reconstruction by opening factories in Bosnia; and, that a promotional office for German industry be opened in Sarajevo.

Earlier, in an interview with the *Süd-deutsche Zeitung*, Schlee had called for the "reopening of a big German auto-making firm near Sarajevo," located in the destroyed VW-DAS factory. (These are some of the issues specifically raised in a 1996 Schiller Institute memorandum, "No Return of Bosnian Refugees without Economic Reconstruction," which had been co-signed by Generals J.A. Graf von Kielmannsegg (ret.) and Paul Albert Scherer (ret.), and had been widely circulated in German government circles.)

Although far from sufficient, these statements represent a shift from earlier policies of the German government. While all other countries had established bilateral economic ties with Bosnia, the German government so far has operated solely through the EU bureaucracy. So far, there has also been little coordination among the various aid organizations and the German and Bosnian governments, to determine where, exactly, refugees could return to. There are still about 280,000 Bosnian refugees in Germany.

Natural Gas

Russia announces two pipeline deals

Russia announced two pipeline agreements in late August, with Turkey and Armenia, the Sept. 3 *Journal of Commerce* reported. A preliminary agreement for construction of a \$3 billion Turkish-Russian pipeline, which will run under the Black Sea from Tuapse to Samsun, was signed on Aug. 29 by Gazprom head Rem Vyakhirev and Turkish Energy Minister Cumhur Ersumer. On Aug. 30, a deal was signed with Armenia for the creation of a joint stock company, to transport gas by pipeline to Turkey via Armenia. Turkey would receive 3 billion kwh of electricity, and Armenia would fulfill its fuel needs.

The *Journal of Commerce*, which is boosting British geopolitical designs to disrupt cooperation among nations in the region, claims that the projects are "part of Moscow's plan, announced last September, to boost gas sales to Turkey fivefold by 2010," and that the projects are antagonistic

to Iran's pipeline arrangements. The *Journal* also says that the deal was pushed through because Turkey needs the energy and Russia opposes the \$20 billion deal Ankara made with Teheran last year for gas. It adds that Iran will lose Armenia as a customer for energy if Russia supplies it instead, and that Iran will lose its role as middleman in trade between Turkey and Armenia, if a border crossing is opened up to allow direct trade between the two, historically opposed, countries.

Meanwhile, Russian Prime Minister Viktor Chernomyrdin has nominated Deputy Prime Minister for Science and Technology Vladimir Bulgak to head the Iran-Russia joint economic commission, Iranian wire services reported. And, Iranian Foreign Minister Kamal Kharrazi will meet with Russian Foreign Minister Yevgeny Primakov in New York, during the UN General Assembly in September, to discuss regional developments. Viktor Posulvalyuk, Russian deputy foreign minister for Middle Eastern affairs, has just been in Teheran for talks on international developments, and consolidating ties between the two countries.

Africa

China to build major dam in northern Sudan

Sudan and the People's Republic of China have signed an agreement in which Chinese companies will finance construction of Sudan's Kajbar Dam hydroelectric power project in Northern State on the Nile River, Omdurman Sudan Television Network reported, according to the Foreign Broadcast Information Service on Sept. 13. The project is considered by the Sudanese government to be one of the nation's most strategic projects, and it is being given high priority.

The contract for the construction of the \$300 million dam was signed recently by the Sudanese government and the Chinese International Water and Electricity Company. The Chinese company will finance 75% of the project, and the Sudanese government will finance the rest, of which 10% will be in foreign currency and 15% in local currency.

TURKEY'S Supreme Planning Council has given the go-ahead for a third bridge across the Bosphorus, the *Süddeutsche Zeitung* reported on Sept. 9. The \$1 billion project will be the first bridge across the strait that provides a direct rail transfer from Europe to Asia, which is important for the Eurasian Land-Bridge.

NEPAL would like observer status in the Bangladesh, India, Sri Lanka, Thailand—Economic Cooperation (BIST-EC) group, founded earlier this year, Nepal's Foreign Minister Kamal Thapa told Indian businessmen during a visit to India on Sept. 11. BIST-EC is expected to further the southern tier of the Eurasian Land-Bridge project.

MYANMAR and Thailand, with the British-run narco-armies in their border region generally pacified, have agreed to survey and demarcate their 2,400-km border. The "open border" has been crucial for Dope, Inc. control of the world's largest heroin and opium supply from the Golden Triangle.

SOUTH KOREA'S Ambassador to Cambodia Park Hyung Tai presented \$2 million in construction equipment for building rural infrastructure, to Cambodia's co-Prime Ministers Ung Huot and Hun Sen at a ceremony outside the capital.

CHINA will begin damming the Yangtze River in November, as the next big step in the \$25 billion, 17-year Three Gorges project, Lu Youmei, the general manager of the China Yangtze Three Gorges Project Development Corp., stated recently.

INDONESIA was given an award for poverty eradication, by UN Development Program administrator James Gustave Speth, in Jakarta on Sept. 8. President Suharto compared Indonesia's success in reducing poverty, from 60% of the population (70 million) in 1970 to 11% (20 million) in 1996 while population rose 84 million (72.4%), to the rapid increase of poverty worldwide.

The construction of the dam in the Dongola region, south of Wadi Halfa on the border with Egypt, will begin early in 1998 and will take three years to complete. Power cables will link Wadi Halfa in the far north with Marowe in the south of the province, north of Khartoum. The dam will also facilitate the irrigation of 40,000 hectares of land.

Finance

Malaysia's Mahathir: Curb currency speculation

Malaysia's Prime Minister Dr. Mahathir Mohamad called for global efforts to outlaw currency manipulation, at the end of the ruling UMNO party general assembly on Sept. 7, *The Star* reported. "The world does not benefit from currency manipulation. It is time that the international community stop it, make it illegal so that countries like Malaysia and other emerging economies will be safe. When we talk of global economies, we should take into consideration the problems of poor countries like us. Therefore, if one system is abused blatantly, it should be stopped legally," he said.

Mahathir cited as an example, the U.S. government breaking Rockefeller's monopoly over the oil industry.

"There should be no manipulation where huge amounts of money cause currencies to be revalued or devalued," Mahathir said. "Obviously, someone is making a huge sum of money by doing nothing. They move massive amounts of funds all over the world and in the process they make a lot of money for themselves. Nobody gets anything except the manipulators and the speculators." Manipulation "does not create jobs or create goods," he added.

Mahathir attacked former U.S. Secretary of State James Baker III for impeding technological development. "We are told that there is no conspiracy. But there is too much of a coincidence that the currency and stock markets crashes should happen to a group of countries which has been previously described as tigers and dragons. The implication is that some quarters are not happy with the rapid growth of the Southeast Asian economies. We cannot be 100% wrong when

we say that there is apparently an attempt to stifle the growth of this region," he said. "There has been always talk that we do not want to see any more little Japans. This was actually said by Mr. Baker to the Japanese. . . . Obviously, there are some people who are not happy that this has happened."

Economic Policy

Business Week to Asia: Abandon infrastructure

In its Sept. 15 issue, *Business Week* magazine suggested the currency and stock market crises in Southeast Asian economies as the vehicle to force these countries abandon the role of the government in fostering infrastructure and industrial development. The Southeast Asian economies will rebound, it said, "if governments get out of the way."

Business Week praised the Indonesian government's plan (forced on Indonesia by the International Monetary Fund), announced on Sept. 3, to trim government spending, curtail big infrastructure projects, "especially those requiring heavy imports," and to lift the restriction preventing foreign investors from buying more than a 49% stake in new public offerings by Indonesian companies. "It's no longer an easy game to boost exports with foreign investment and cheap labor and spend the money freely on government projects of questionable value. . . . Letting the market rule also will trigger the industrial shakeout needed in many countries," it said. "Consolidations are needed in the overbuilt car, steel, chemical, and appliance industries."

In fact, these industries are not overbuilt, but underdeveloped. The currency and stock market crises are forcing industrial contraction. Thailand's Siam Cement has had to write off \$1 billion in foreign exchange losses, which will adversely affect its business. Prior to the crisis, Proton Berhad, Malaysia's national car company, had announced plans to cut costs by 30% over the next three years. But, with the devaluation of the ringgit increasing the cost of imported parts, it will have to cut costs further, which could force it to reduce employment and production.