

# Business Briefs

## Indonesia

### Recapitalization of banks questioned

Economists and members of the Indonesian House of Representatives have said that the scheme to recapitalize failing banks is too costly, given the financial difficulties endured by the nation, the paper *Suara Merdeka* reported on Jan. 15. The House has asked the government to scale down state budget funds earmarked for the program.

The government intends to fund the recapitalization program by selling bonds to Bank Indonesia. Under the plan, the government will provide up to 80% of the funds, while bank owners will be responsible for securing the remaining 20%. At least 70 banks, at a total cost of \$43.3 billion, are slated for recapitalization.

Finance Minister Bambang Subianto warned of a new economic disaster if the program is abandoned. He said that economic recovery in Indonesia would not be possible without bank recapitalization, and pointed out that banks would not be able to restructure domestic corporate debts unless they receive fresh capital.

## Biological Holocaust

### Russia faces outbreak of epidemic typhus

Epidemic typhus, which was thought to be under control in Russia, has returned, with an outbreak of the disease in a psychiatric hospital in Moscow, the German daily *Die Welt* reported on Jan. 12. Epidemic typhus is a rickettsial disease transmitted by body lice. A mild, non-lethal form, called Brill-Zinsser disease, can recur decades after the acute illness, especially under conditions of weakened immunity. In the presence of lice, however, Brill-Zinsser patients can communicate the rickettsial agent to uninfected persons.

According to German epidemiologist Professor Feldmeier, the latest outbreak in Moscow is due to the catastrophic economic

situation in Russia. One of the elderly inmates of the Moscow psychiatric hospital had suffered from typhus as a child, when the disease was still common in Russia. (During 1918-22, some 30 million people contracted epidemic typhus, with 3 million deaths.) The elderly patient came down with Brill-Zinsser when the heating and hot water system in the hospital broke down. The inmates had to sleep in their clothes to keep warm at night, and there was no ability to change and wash clothing and bedclothes, where lice inhabit.

Feldmeier warned, "This first small epidemic is only a foretaste of what can be expected in Russia, if the present economic condition continues, and hospitals, nursing homes, prisons, and apartments cannot be supplied with district heating or fuels."

Untreated, 10-20% of all cases lead to death. The disease can be treated with antibiotics, and there is also a vaccine available, but the Russian health care system is in a disastrous situation and the collapse of the ruble exchange rate has tripled the prices for medicine, 70% of which is imported.

## Nuclear Energy

### South Africa plans to produce HTRs

South Africa plans to produce 30 high-temperature reactor (HTR) modules per year, the German daily *Die Welt* reported on Jan. 20, in an article headlined "The Alternative Nuclear Power Project—Stopped in Germany, Now Being Built in South Africa."

Ten years ago, HTR development was shut down in Germany and in the United States, despite the extraordinary "inherent safety" properties of this reactor type. However, the South African power supplier Escom, the fourth biggest in the world, will now build an HTR reactor next to the existing Koeberg nuclear power plant, outside Cape Town. Escom is relying on the German HTR reactor type, while the Japanese national nuclear research center, Jaeri, is picking up the pieces of the HTR type developed in the United States. Once the first South African HTR goes into operation, the country is planning to start up production

of 30 HTR modules per year, of 114 megawatts of electrical power each. Plans are for 10 to be sited in South Africa, and for 20 to be exported. Indonesia, for example, is expected will be very interested in this kind of reactor.

*Die Welt* noted that after German reunification, there had been plans to use the HTR technology for supplying the huge Leuna chemical production facility in eastern Germany with HTR-generated electricity and process heat, but this plan was cancelled.

## Trade

### China's export crisis 'extraordinarily grim'

Chinese exports grew a mere 0.5% in 1998, which China's official news agency Xinhua on Jan. 19 called "an extraordinarily grim year for China's exports." The Trade Ministry had predicted a growth of 10% for exports in early 1998, a growth rate considered "prudent" at the time. But "the effects of the Asian financial turmoil . . . went far beyond people's expectations," Xinhua reported. Monthly exports declined for four consecutive months from August to November, with total exports hitting a 15-year low.

China exports primarily to Southeast Asia and other Asian nations, and was hit hard by the economic crisis there. China's exports to Asia in 1998 totalled \$98.2 billion, down 9.9% from 1997. The proportion of exports to Asia to total exports also declined, from 60% to 53%. China's exports to Japan, Hong Kong, the Association of Southeast Asian Nations members, and the Republic of Korea fell by 6.7%, 11.5%, 13.7%, and 31.3%, respectively.

The crisis has cut demand for raw and semifinished materials, cutting prices and export-generated revenue. The government undertook many measures to try to boost exports, and they did reach \$20 billion in December, an increase of 4.3% from the same period in 1997. Total exports reached \$183.76 billion.

Despite the overall drop in exports, capital- and technology-intensive goods exports

**THE UZBEK-CHINESE** inter-governmental commission met in Beijing on Jan. 13 to discuss expanding transportation infrastructure. China has now completed construction of a railroad with an annual capacity of 12 million tons of cargo, in southwestern Xinjiang, which will be linked to the town of Kashi later this year, the commission announced. The railroad is part of the "Shanghai-Paris transcontinental railroad," it said.

**ANGLO AMERICAN** Corp. has offered \$8 million for Zambia's Nkana and Nchanga coppermining and smelting complexes and the Konkola Deep deposit. Anglo American had once offered \$72 million, but is now claiming that since prices are so low, it should pay practically nothing. Anglo American refuses to assume any of the \$800 million debt of the Zambia Consolidated Copper Mines. The "donor community" has cut off all funds to Zambia, until the mines are sold, and this is the only "offer."

**THE SWEDISH** construction giant Skanska International Civil Engineering AB (worth \$8 billion), has lined up 12 infrastructure projects worth 100 billion rupees (\$2.6 billion) in India, and is likely to set up a subsidiary there. Half of the projects involve hydroelectric power production; others include roads, bridges, harbors, and the New Delhi Metro project.

**RUSSIAN** prisons have 120,000 inmates with acute cases of tuberculosis, according to a joint commission of the Public Health Research Institute in New York and Doctors Without Borders. One-sixth are infected with multidrug-resistant TB.

**KYRGYZSTAN** Prime Minister Zhumabek Ibraimov announced an agreement on defense industry cooperation, and said that Russia will be involved in major projects in Kyrgyzstan, primarily the construction of Kambarata-2 hydroelectric power station and a power transmission line to China, during a visit to Russia on Jan. 12-13.

rose in 1998. The value of mechanical and electronic products rose by 12.2% over 1997, to \$66.54 billion, and the proportion of related products to overall exports climbed, from 32% to 36.2%. Exports of primary goods fell 14%, to \$20.6 billion, with declining exports of labor-intensive products such as garments and related products.

China's exports to the United States increased by 16.1% last year, to \$37.98 billion, while exports to the European Union reached \$28.15 billion, up 18.1% from 1997.

China's imports fell 1.3% compared to 1997, with overseas-funded enterprises accounting for 54.7% of imports, worth \$76.72 billion. State-run enterprises are the second biggest importers, at \$59.93 billion worth, or 42.8% of imports overall.

## South Asia

### Insulate India from global financial swings

Former Prime Minister Chandra Shekhar has called for insulating the Indian economy from the vagaries of the international financial system, particularly given the traumatic experiences of the Southeast Asian countries, Russia, and Brazil. Addressing the press on Jan. 17 on the impact of the economic liberalization program initiated in India seven years ago, Shekhar said that it was important to reduce the vulnerability of the Indian economy to international finance capital. The opening up of the insurance sector to induce long-term capital flows could increase vulnerability, he warned.

According to Shekhar, the reduction of vulnerability could be achieved by placing greater reliance on domestic savings and reducing the role of speculative capital. He said that it was not spurts in the stock market index which created wealth, but enhanced productivity by the farmer and the worker. "This can only be achieved in an environment of equality, security, and dignity of the ordinary man. This will require greater, not lesser, space for the exercise of national sovereignty and greater democratization of the Indian polity. Both these processes are being undermined in the name of pursuit of

the economic reforms," he said.

Shekhar was critical of the results of seven years of liberalization. He said the data on economic growth clearly indicated that economic performance had been unsatisfactory. The projected massive inflow of foreign investment remained elusive, but even the small amounts that had come in had seriously affected market structures, without contributing to growth. Shekhar said that the drastic slide in the foreign exchange value of the rupee has not helped trade, and that the expanding trade deficit is causing strains on the balance of payments. Foreign exchange reserves, he said, have large components of "hot" money and debt.

Shekhar criticized the stagnation in public investment in agriculture, and said that successive good monsoons "seem to have us complacent." Greater emphasis was being placed on exports and on cultivation of cash crops at the expense of food crops and food security, he said.

## Debt

### Cancellation urged for developing countries

The Anglican Archbishop of Cape Town, South Africa, Njongonkulu Ndungane, at a conference he had organized, called on the leaders of the Group of Eight industrialized countries to make an unequivocal commitment of intent to cancel the developing world's unpayable debts, when the G-8 meets in Cologne in June.

"The astronomical debt" owed is a major contributor to poverty, he said. He cited World Bank figures showing that in 1996, African countries had transferred \$14.4 billion in debt payments to the member-states of the Organization for Economic Cooperation and Development.

Ndungane said that governments must be able to alleviate poverty in their countries. It is inappropriate that market forces on their own should dictate the way in which governments structure their economies. He said that the world was "haunted by the specter" of globalization, privatization, and deregulation.