

Business Briefs

Energy

China plans national electrical power grid

China plans to link most of its national power grids by 2020, to facilitate nationwide power exchanges, Gao Yan, president of the China State Power Corp., said on Jan. 26, Xinhua reported. Completion of the Three Gorges Power Station will facilitate efforts to link power grids nationwide, he said. China has developed six large-scale power grids and a number of provincial grids with transmission lines covering 567,000 kilometers.

Gao said that the Three Gorges Power Station will not only supply power grids in southwestern Sichuan Province and areas in central and northern China, but will also be a major component in the Great Central China Power Grid, which will run 2,000 km from east to west, and will be linked to grids in north, northwest, and south China.

Gao said that the framework for various inter-provincial grids, including 500 kilovolt and 300 kv grids, will take shape by the year 2000. The Three Gorges Power Station will be completed by 2009, and a 500 kv project involving power grids with AC/DC transmission lines stretching 9,100 km will then link central and northern China with Sichuan Province.

Agriculture

Food supply is grim, London paper admits

The food supply this year could become a grim one, the London *Financial Times* reported on Jan. 26. Unfavorable weather and low prices will cut world wheat production this year, according to the International Grains Council (IGC). Many farmers plan to reduce their grain plantings significantly, including in the United Kingdom, Denmark, Germany, Finland, and Romania.

Sweden's winter wheat plantings are reportedly 40% lower than last year, while Bulgaria's are down about 20%. In the United States, farmers abandoned 2.3 mil-

lion hectares of winter wheat, reducing planted area to 17.6 million hectares, the smallest since 1972. In Canada, as well, wheat acreage was reduced. Only members of the Commonwealth of Independent States and the Baltic region are expected to increase wheat cultivation, but their plantings have been very low in recent years. The reason is the same everywhere: Extremely low prices have "persuaded" farmers to abandon food production.

Poland

Farm income lower than in 1991, says economist

After years of "reforms," the income of Polish farmers is worse today than in 1991, according to Prof. Jan Malkowski of the Warsaw-based Institute of Agroecomics. Most of the decline has occurred during the last three years. Generally, average incomes in the countryside are only 40% of that which Poles have in the urban regions. The collapse of income has fuelled farm protests.

In particular, the dramatic collapse of pork prices on the world market has hit one of the most important remaining Polish farm exports. In November 1998, for example, the price for hogs was 31% lower than a year earlier, and wheat prices collapsed 15%. Polish exports to Russia and other eastern European nations have fallen sharply, and the government's support of 1 zloty (about 30¢) per kilogram of exported pork has done little to alleviate the crisis.

A roundtable is to begin soon in Warsaw between government and the farm organizations, to discuss the disasters to be incurred when Poland joins the European Union early next century, namely, the phasing out of several hundred thousand jobs in the farm sector.

Meanwhile, farmers' protests and blockades by radicalized strata of the Polish farmer organizations, like *Samobroona* and its populist leader Andrzej Lepper, are continuing to paralyze roads and crossings at the Polish borders with Germany and Belarus. Farmers are rebelling not only against dump-price imports from the European Union,

but also illegal imports by "mafia-like organizations," which the government is doing nothing about.

South Asia

India, Bangladesh to discuss trade, rail ties

India and Bangladesh are expected to begin discussions on a free trade agreement as part of their expanding political and economic dialogue, during Bangladesh Prime Minister Sheikh Hasina Wazed's visit to Calcutta in early February, *The Hindu* reported on Jan. 27.

"The entire gamut of the relationship involving trade, transport, and security will be flagged off" during Prime Minister Wazed's trip, highly placed sources said. But, follow-up action on all these areas will depend on the signals which New Delhi receives from Dhaka at these talks. External Affairs Minister Jaswant Singh will head the Indian side to the talks.

Aware of the number of false starts to improved relations in the past, India is holding modest expectations, as Indian-Bangladeshi ties are highly prone to politicization. New Delhi is taking extra care to ensure that fresh controversies are avoided.

"We are conscious of Bangladesh's internal political sensitivities on India-centric issues and are willing to wait for reciprocity from its side," one source said. Nevertheless, India sees her trip, which will be followed by a visit of a high-level team of Bangladeshi transport officials, who are scheduled to inaugurate a Calcutta-Dhaka bus service, as part of an incremental process which should lead to a positive, long-term relationship.

On free trade, the sources point out that the talks are likely to take their cue from Indian Prime Minister Atal Behari Vajpayee's address at the South Asian Association for Regional Cooperation (SAARC) summit in Sri Lanka in 1998. Vajpayee had invited all SAARC countries to evolve bilateral free trade arrangements with India. India and Sri Lanka have signed such a pact, and subsequently Bangladesh has begun to show greater interest in the proposal. Being a

WIM DUISENBERG, the chairman of the European Central Bank, said in Frankfurt on Jan. 25 that he and his staff will monitor wage negotiations. Apparently referring to German labor union demands for wage increases of 3-7%, he said that "unexpectedly high wage increases and undisciplined budget policies could influence the stability climate in Euroland in a negative way."

THE CZECH Republic was hit with the biggest corporate default yet, as a court in Prague declared Chemapol, the biggest chemical producer in the country with 15,000 workers, bankrupt, effective Jan. 27, at the request of two creditor banks, the French Crédit Lyonnais, and Ceskoslovenska Obchodni Banka.

PAPUA NEW GUINEA has been given a "junk" rating by Moody's Investors Service and Standard and Poor's, in its first-ever assessment by rating agencies. The sub-investment grade rating was welcomed by Port Moresby Stock Exchange head John Hooton. "This is very positive news," he said. "Until now, foreign investors have steered clear because the island didn't have a rating, but now they have a defined level of risk."

KYRGYZSTAN'S Bishkek-Osh highway will undergo the second stage of modernization starting in March, by the South Korean corporation Samsun, the Kyrgyz Transport and Communications Ministry announced on Jan. 26. The highway, more than 600 kilometers in length, which connects north and south Kyrgyzstan, should be completed in 2002.

EGYPTIAN Prime Minister Kamal el-Ganzouri received Zeng Peiyan, Minister of China's State Development Planning Commission, in Cairo on Jan. 25. Zeng visited Egypt to discuss cooperation in developing the special economic zone on the Gulf of Suez. Zeng said that China will upgrade port facilities and set up plants to produce electrical equipment and textiles.

"lesser developed country," Bangladesh may get a better deal from India than did Sri Lanka, the sources observed.

A new rail connection may also be established in the Petropole-Benapol area, the main artery for the road transport of goods across India's state of West Bengal's border with Bangladesh. Analysts point out that a rail line could supplement the road link. A cross-border rail line in this area has been in disuse for the last 50 years, but could be revived.

Broader plans to establish transport links will depend in large measure on the success of the bus service from Dhaka. "The purpose of this service is partly psychological. Its success will help erase the imaginary fears of larger people-to-people and commercial contacts with India," a source said. After nearly a year and a half of negotiations, the two sides have exchanged a draft agreement and progress in the February dialogue between officials is expected.

Economic Policy

Stock market collapse will end 'free market'

The bursting of the American stock market bubble will lead to a rise in "economic nationalism" in the United States, and this will have profound consequences for the world, says Prof. John Gray of the London School of Economics, in the Jan. 26 London *Guardian*.

According to Gray, the American bubble is "unusually fragile and dangerous. For the first time in over half a century, America's savings rate has fallen below zero. Americans are living on tick [credit], confident that the stock market's unending levitation will lift them out of debt. For them, it is not enough that the stock market remains high. It has to go on rising. You do not need a Cassandra to see that these expectations are unsustainable."

He goes on: "A setback on Wall Street will have a harsh impact on the U.S. economy. It is not only that Americans have run down their savings. . . . They are less protected against the consequences of unem-

ployment than they have been for generations.

"When President Clinton signed the Welfare Reform Act in 1996, he effectively tore apart the Federal safety net which the U.S. had inherited from Roosevelt's New Deal."

The lack of a "safety net" will bring about a "protectionist" dynamic in the United States, as unemployment rises, Gray asserts. "In the longer pattern of American history, this would not be an aberration but a return to type." Furthermore, more shocks in the global economy are coming, possibly to be triggered by a further round of devaluations in East Asia, and this will further strengthen protectionist tendencies, writes Gray. He stresses that "an American tilt to economic nationalism would have effects far beyond its impact on the stock market." This will likely mean that "the era of the free market will come to a close. It looks as if we could begin the next century struggling to adjust ourselves to an older American model."

Europe

Euro is not long for this world, says Prof.

Grim economic realities will collapse the European Monetary Union, said Prof. Karl Albrecht Schachtschneider, one of the four plaintiffs whose well-founded case against the EMU was dismissed by the Supreme Court of Germany last April, said in an interview with German media on the weekend of Jan. 23.

Schachtschneider said that in his view the euro will collapse within the next five years, leading to a policy disaster throughout Europe. The economic crisis and high unemployment will force the weaker countries out of the EMU; they will have to reestablish national currencies, and this will be the end of the EMU currency. It is an obsessive idea to believe that the European Central Bank could handle all the economic problems which will be faced soon, he warned. He said that his case and his warnings against the EMU last year, are being corroborated by current developments.