

Business Briefs

Middle East

Israeli minister says, trade can promote peace

Peace requires economic development, and Israel wants to involve Jordan and Egypt in that process, widening new markets in the Middle East, Israeli Trade Minister Ran Cohen told reporters at the World Trade Organization meeting in Seattle on Dec. 1. Cohen said that Israel will open nine industrial parks in Palestinian areas, creating 50,000 jobs.

Earlier, Cohen had met an Indonesian representative to discuss opening Indonesian-Israeli trade, and Southeast Asia-Middle East trade more broadly. Israel, he said, favors foreign trade, but not the abuse of countries via trade, and favors protection of labor rights. Israel wants peace through development, rather than open trade which works against the interests of poorer nations. In a discussion with *EIR*, a member of the Israeli delegation said that the North American Free Trade Agreement reflected the arrogance of a country which thought it was "number one." Even if Israel becomes number one in the Mideast, we can't do that, nor should we, he said.

An Indonesian diplomat asked how the Israelis would address the fact that many Indonesian Muslims are more rejectionist than any Arab. The Israelis answered, that trade has no religious agenda.

Asia

Indonesian economy drowning in debt

Glenn Yusuf, chairman of the Indonesian Bank Restructuring Agency, outlined his agency's asset management plan for 1999-2004 on Nov. 26, the *Jakarta Post* reported. It lifted one corner of the veil on how totally bankrupt Indonesia is.

IBRA estimates that only 4% of the 267 trillion rupiah (\$38.1 billion) in problem loans taken over by IBRA from state banks since its founding in January 1998, will be recovered. The total value of assets taken

over by IBRA from closed, nationalized, and recapitalized banks is double the problem loans, or \$76.18 billion. Yusuf reported that only 3% of the \$3 billion in assets taken over from nationalized private banks would be recovered. His best estimate is that, eventually, 32.3% of the total would be recovered, but that estimate is based on a wildly optimistic projection of growth at 4-6% next year and 6-7% five years from now.

Yusuf said the total cost of recapitalization will be \$91.9 billion, which will be financed by issuance of government bonds. Of that, \$29.7 billion would be from recovered assets, but taxpayers would have to foot the \$62.2 billion difference. In addition, the government and taxpayers have to foot the bill for the \$30.3 billion in interest payments on treasury bonds *already issued* to finance the restructuring. Interest payments on government bonds for the current fiscal year, ending in March 2000, are estimated at \$4.86 billion. Interest costs over the next four years are estimated at: \$7.26 billion (2000), \$6.1 billion (2001), \$6 billion (2002), and \$6.1 billion (2003).

The composition of assets held by IBRA is 45% from manufacturing firms, 9% from hotels, 8% from construction and trading companies, 4% from real estate and agrobased firms, and 14% from non-bank finance companies. One solution, Yusuf proposed, is to lift restrictions on foreign ownership of property. He noted that IBRA owns nearly half of all buildings in the Kuningan area of Jakarta, home to many foreign embassies.

China

Xinjiang plans to develop infrastructure

Xinjiang Uygur Autonomous Region, China's far northwestern region, has plans to expand infrastructure development. Notable, is that the Turpan-Kashi rail line, which opened to traffic in May, is to be extended to areas bordering Kyrgyzstan, *Xinhua* reported on Nov. 29.

Xinjiang is to spend 180 billion yuan (about \$22 billion) on soil conservation, energy, telecommunications, transportation,

and other infrastructure facilities in the next five years, in line with China's policy to step up development of the west. This policy, put forward by President Jiang Zemin during his tour to Shaanxi in May, was recently reiterated by Prime Minister Zhu Rongji and Zeng Peiyan, Minister of the State Development Planning Commission.

Xinjiang will build two large water control projects in the north, and will plant trees and grass in the south. A 4,212 kilometer pipeline from southern Xinjiang to Shanghai will be built to stimulate the development of the natural gas resources in the Tarim Basin and ease the energy shortage in the Yangtze River Delta in eastern China.

The national government will help Xinjiang build a 300 km rail line from Jinghe to Helgus and extend the 1,451 km Turpan-Kashi rail line in southern Xinjiang, which opened to traffic in May, to areas bordering Kyrgyzstan.

Eurasia

New Land-Bridge segment completed

An additional rail segment of the Eurasian Land-Bridge, in western China, from a point just southwest of Urumqi to the town of Kashi, has been completed after six years of construction. The next phase is to extend this line to the Uzbekistan capital of Tashkent. In October, a 14-day seminar was held in the Land-Bridge cities of Xian, Lanzhou, Dunhuang, Ili, Urumqi, and Kashi, to accelerate the "Great Development of the Western Region of China." Participants included the Foreign Trade and Economic Cooperation Ministry of China's International Economic and Technology Exchange Center, the Global Infrastructure Foundation of Japan, and the Worldbridge Foundation of Taiwan.

A central part of China's next ten-year plan is the development of the western part of China, the promotion of cultural and economic exchange with the Central Asian nations through the construction of railroads, highways, and other infrastructure, to further the renaissance of the Silk Road. On Nov. 2, the conference took the participants to

ITALIAN Prime Minister Massimo D'Alema visited Libya in early December, the first western European chief of government to do so after the end of the embargo imposed in 1992. D'Alema said that "Italy will be Libya's door to Europe." Italy is Libya's number-one trade partner.

AIDS has orphaned more than 11 million children since 1981, of whom 10.7 million are in Sub-Saharan Africa, according to a recently released UN report prepared for World AIDS Day. It says that there will be 13 million AIDS orphans by the end of the year 2000.

SCIENTISTS from Lawrence Livermore National Laboratory in California and Russian scientists at the Joint Institute for Nuclear Research in Dubna, near Moscow, have generated chemical element 114, which contains 114 protons. The element was generated following the bombardment of a film of plutonium-244 by highly accelerated calcium-48 atoms for 40 days. Element-114 has a half-life of less than 30 seconds, but this is 100,000 times longer than the last new element generated, element-112.

BRITAIN'S Railtrack was condemned for "basic failures" in maintenance, by the British Health and Safety Executive, in its annual Railway Safety Report. Chief Inspector Vic Coleman has threatened to take legal action if there is not a response from Railtrack to the report. "Our report shows that the HSE has very serious concerns about the way the rail industry manages signals passed at danger, and about the state of the tracks on the national rail network."

VOLKSWAGEN spare parts delivery in eastern Germany has collapsed, because of computer chaos, i.e., the effects of Information Age production and delivery methods. Instead of the promised 24-hour service, customers now have to wait about six weeks for delivery. Some VW branches are dismantling new cars for parts—a method described by employees as "organ donation."

Beijing, where a memorandum was signed on starting Research Development Centers, with emphasis on the development of the western part of China.

Political Economy

Primakov lays out his perspective for Russia

Russian former Prime Minister Yevgeni Primakov, who is running for President, discussed his perspective for the economy, in an essay that is posted on MSNBC's Internet website. A priority, he writes, is "to strengthen the role of the state in the economy. . . . I can't stop saying that the governmental control of an economy doesn't mean a rejection of a market economy. On the contrary, it is a condition of its existence. We know from our experience that a governmental withdrawal from a modern economy creates chaos—and not a market economy."

Governmental control, he says, "should be directed toward the development of a true economic sector: tax reduction, cheaper credits, attracting investment, and prohibiting unlawful capital flight, setting up real ways of returning already-exported capital, which at present contributes to foreign economies and not to ours."

Local policy, he says, should be aimed "toward industrial modernization, acquiring the latest technology, and support of local producers who most urgently need it."

To revive development in Russia and to increase market demand, Primakov advocates several measures: the restoration of per-capita income, and to provide the minimum cost of living for its people; to raise demand by increasing the efficiency of budget spending, and blocking the import of goods that are already produced in Russia; to stimulate exports by creating a system of credit for it, and guaranteeing and insuring it with political support; and an anti-monopoly policy, which shouldn't be targetted at the liquidation of natural monopolies, but rather against their abuses.

"The fifth means of raising market demand is to stimulate investment demand," he writes. "The state should compensate insufficient market development with infrastruc-

ture investment, starting with the creation of banks for economic development and ending with promissory notes issued by the Central Bank of Russia.

"Preparatory work has been done and this system can be developed quickly enough. It will not run contrary to private investment, but rather will support it until investments reach rates sufficient for Russia."

Malaysia

Controls will remain in place, says Mahathir

Until a new international financial regime is devised that is safe for emerging economies, Malaysia's capital and currency controls will remain in place, Prime Minister Dr. Mahathir bin Mohamad said in his keynote to the Lima '99 Aerospace and Maritime International Conference, the state news agency Bernama reported on Dec. 2.

Although Asia is now healthier economically than in the past two years, "We are not out of the woods yet. There is still fear that the currency traders will be back," he said. The only people who will continue to lose as a result of Malaysia's controls are "unconscionable money traders and fly-by-night investors. We really do not care for them." As for the International Monetary Fund, he said that it is not inclined to do anything to curb currency traders, nor to make their actions transparent.

In response to a question, Mahathir said that "people are protesting against the WTO [World Trade Organization] because powerful economic forces want to spread their tentacles to take over literally the whole world and operate under a few very powerful companies." It is pure fiction that market forces could or would discipline themselves, he said. "Responsible governments cannot submit to such people." Developing countries are told to do overnight what it took Western nations 200 years to achieve. "These are the kind of rules which govern an anarchic society. Moving into the third millennium, it is not a compliment to the world that we are still in a very backward stage of our mental development."