

# Business Briefs

## Infrastructure

### Saudi Arabia to build east-west rail link

Saudi Transport Minister Dr. Nasir Al-Saloum said on March 6 that the government will soon announce plans on financing and construction of a new rail network which will link the eastern and western parts of the kingdom, from the Red Sea in the west to the Persian Gulf in the east through the capital, Riyadh. He said that construction will begin as soon as the results of the feasibility studies are presented.

The international Arabic daily *Al-Hayat* quoted industrial sources as saying that "the Kingdom is planning to invest 17 billion rials [\$4.5 billion] to construct the network, which will service most of the country in the coming five years."

The Saudi minister made the statement following the inauguration by Prince Salman Bin Abdulaziz of the Riyadh General Transportation Terminal, which will become the center of the rail network. Railways are the least-developed sector in Saudi Arabia, currently consisting of a single-track, 570 kilometer line running from Riyadh to Dammam in the eastern part of the country. The terminal's contractor, Al-Riyadh Construction Co., carried out studies of international transport terminals in the U.K., Sweden, and Turkey to adjust the Saudi system to international standards.

## General Welfare

### Malaysian leaders defend government role

Only governments can defend the general welfare, Malaysian Prime Minister Dr. Mahathir bin Mohamad said, at a panel discussion at the second Global Knowledge conference in Kuala Lumpur, the Malaysian capital, *New Straits Times* reported on March 8. Governments are not obsolete, he said. Only governments can help people, who cannot be left to market forces, which are primarily driven by profit-making. Malaysia got a taste of market forces when it lost 250 billion ringgit (about \$65 billion)

during the recent economic crisis, through currency depreciation and market decapitalization. "Governments have to step in to ensure that the poor are not exploited."

Malaysian Deputy Prime Minister Abdullah Ahmad Badawi recently scored globalization and also defended the principle of the general welfare, *New Straits Times* reported on Feb. 23. Globalization will continue to serve the developed nations' bid to control the developing countries, he said, unless controls on capital flows stop the speculative destruction of nations, and trade policies stop demanding open markets in the developing countries while protecting the developed countries in such areas as steel and agriculture. A "prosperity-neighbor" policy must be developed, he said.

"In the area of welfare and public good," he said, "I believe it remains largely the responsibility of the government to ensure, among others, that health care, education, and low-cost housing are provided on a universal basis. While the delivery of social justice may continue to involve private-sector participation, the government must ensure that profit is not the driving force behind such provisions, and must be prepared to meet demand where the market fails to supply."

## Banking

### Strengthen supervision, says German regulator

Bank mergers are increasing the likelihood of system-threatening financial disasters, said Wolfgang Artopoulos, president of the Federal Supervisory Board for Banking in Germany, the daily *Süddeutsche Zeitung* reported on March 11. Commenting on the merger of Deutsche Bank and Dresdner Bank, he said that his agency is worried about the fact that national supervisory institutions in general are losing control over developments in the international banking sector.

The emergence of worldwide financial empires has very much increased the danger that failures of single banks or turbulence in some local market could escalate into crises which threaten the entire system. The big financial conglomerates are being exposed to

risks of enormous dimensions, which are not visible from the outside. The world financial system is undergoing an extreme transformation, where, in addition to the rising number of national and international bank mergers, there is a flood of new financial instruments, i.e., derivatives, and also new risks arising from online banking.

Artopoulos described proposals for establishing supranational banking supervision, as "utopian ideas" which are not helpful for solving problems upcoming in the next few years. Even in Europe, centralized banking supervision will only emerge in the "very distant future." Despite financial globalization, there is no alternative to strengthening national supervisory institutions, he said.

## Space

### Russian President renews commitment to ISS, Mir

"Russia will fulfill all its commitments" in the International Space Station project, Russian Acting President Vladimir Putin said during a visit to the Yuri Gagarin Cosmonaut Training Center in Star City, near Moscow, on March 2, Russian news agencies reported. He also said that the Russian Mir space station should be maintained, and he urged the government to find the funds to keep it in operation without sacrificing support for the ISS.

Putin's visit was for the 40th anniversary of the Cosmonauts Unit at Star City. (Forty years ago, Gagarin and the first group of cosmonauts started their training there; Gagarin became the first human being to fly in space on April 12, 1961.)

Putin praised Russia's cosmonauts and engineers. "This is the place where those people trained who guaranteed our country's breakthrough into space, who showed in practice how the space program is not a prestige project, but an essential one," he said. The space program "is one of the fundamental fields of activity boosting the development of national economy and science. It is something which makes our country a great power."

Optimism was expressed by experts, that a Putin government would support Russia's

space program, although there were also complaints that he did not seem to know that much about the program. Yuri Baturin, who was an aide to former President Boris Yeltsin and a former cosmonaut, said that maybe Putin "understands that cosmonautics is extremely important as one of the driving forces behind Russia's attempt to get out of its crisis. Hopefully, his visit to the City helped him to understand that Russia has to increase its space expenditures."

## Asia

### Indonesia, Malaysia craft common stance

Malaysian Prime Minister Dr. Mahathir visited Indonesia on March 9-10, where the principal subject was economics, and crafting a common stance on the world economy. The delegation included four senior Cabinet ministers and 150 of the captains of Malaysia's commerce and industry. They were met at the airport by Indonesian President Wahid Abdurrahman, and the main business forum was held at the Presidential palace, the Istana Merdeka, signalling the importance both leaders are giving to the trip (in marked contrast to the low-profile, informal meeting Dr. Mahathir had with former President B.J. Habibie last year).

At a press conference following a meeting with President Wahid, Dr. Mahathir said that the two leaders "have agreed that there should be talks between Indonesia and Malaysia . . . to forge a common stance in facing future negotiations on world economy." He reported that Indonesia has agreed to facilitate investments by Malaysian firms and increase access to different points of entry by Malaysian airlines, and that they discussed the possibility of a joint financial center among Brunei, Malaysia, and Indonesia, "to facilitate financial affairs of the three countries," and to build roads and other infrastructure that would increase linkages among them on Kalimantan, the island they share.

President Wahid said that Indonesia should learn from Malaysia: "Malaysia has at least more than 20 years [experience] developing their new economic policy, and in

the past few years Malaysia has announced their independent position vis-à-vis the international bodies concerning the economy. They would like to have a more equitable economic development." When asked what Malaysia could learn from Indonesia, Dr. Mahathir quipped, "We have probably learned from Indonesia that the world is not a friendly place."

## Trade

### Cambodia gets burned by U.S. on apparel quota

U.S. negotiators lured Cambodia into a deal against the interests of Third World countries, then reneged on the deal, according to reports in the Feb. 28 *Wall Street Journal*. Taking advantage of the fact that Cambodia is not a member of the World Trade Organization, the United States signed a deal in January 1999 promising to increase Cambodia's quota on apparel by 14%, in exchange for improving working conditions in the textile industry in Cambodia—a "labor condition" on trade agreements explicitly forbidden under WTO rules. Other Third World countries asked Cambodia not to sign, because it set a precedent for changing WTO rules.

Cambodian Commerce Minister Cham Prasidh said: "We knew we were setting a precedent, but we didn't want foreign factories taking advantage of our workers, either, and we wanted the quota increase." Cambodia implemented the demands on wages and working conditions, but, at the WTO meeting in Seattle, the United States refused the 14% increase. Quoting a report by the Union of Needletrades, Industrial, and Textile Employees, which claimed that Cambodia had not done enough, the U.S. Trade Representative told Cambodia that the United States would consider only a 5% increase, and only if they accepted "independent international monitors"! Cham called this a "virtual carrot."

Cambodian Ambassador to the U.S. Roland Eng said: "Everybody laughed at us when we signed. They all said: 'The Americans will not give you that increase, no matter what you do.' But we thought differently. Now we know better." It is estimated that 18,000 jobs will be lost as a result.

**THAILAND'S** 4-5% rate of growth recorded last year is almost entirely due to the financial sector, although even it is still holding over 40% in bad loans, according to a World Bank report. Real incomes per capita have fallen 13% since 1996. Per-capita expenditure on medicine collapsed 29%. Unemployment is officially over 5%, but this excludes many who have been laid off and returned to farm work.

**MADAGASCAR**, the island nation off the East African coast, has been hit by the same flooding as Mozambique, and 500,000 people are threatened with starvation, disease, and homelessness. UN Secretary General Kofi Annan has issued an urgent appeal for an international relief effort.

**FRENCH** Minister for Foreign Trade François Huwart told reporters after meeting with Malaysian Prime Minister Dr. Mahathir on March 6, "We are in favor of regulated globalization." Earlier, he told Malaysia's Institute of Strategic and International Studies that confidence in multilateral trade rules do "not equate to blind faith in the virtues of globalization or worship at the altar of free trade. . . . It is undeniably accompanied by instability and inequality."

**CHINA AND LIBYA** have signed a \$477 million contract, in which China Civil Engineering Construction Co. will build a 191 kilometer rail line in Libya. The project, to be completed by 2003, is part of the government's plan to link its rail network to Egypt in the east and Tunisia, Algeria, and Morocco in the west, forming the southern part of the rail network around the Mediterranean.

**ITALIAN** Foreign Minister Lamberto Dini, on a visit to Iran, said Italian firms are eager to help Iran's development. Iranian President Seyed Mohammad Khatami said on March 5, that he hoped the two nations expand cooperation in small and medium-sized enterprises and the creation of jobs during Iran's Third Five-Year Economic Development Plan.