

Business Briefs

Money Laundering

Sakakibara: Terrorism Could Force Policy Shift

Japan's former Vice Finance Minister for International Affairs Eisuke Sakakibara said, in an interview with the Malaysian *New Strait Times* on Oct. 20, that efforts to shut down terrorists' access to funds could mean a dramatic change in U.S. policy. "It is a very ironical aspect of U.S. policy . . . that the U.S. is pushing for [financial] controls. This will mean a change in globalization as we have come to experience during the course of the last decade or so," he said.

Whether the shift in favor of controls will result in a change in International Monetary Fund (IMF) and World Bank policy, according to Sakakibara, is still uncertain. "But the mood of the world has definitely changed." The daily's journalist Hardev Kaur pointed out that America was in the forefront in urging the free flow of funds and pushed for the opening up of offshore markets even at the height of the East Asian crisis in 1997-98. Now it is urging other countries to follow its lead in freezing assets and funds of terrorist suspects.

Kaur quoted the London *Financial Times*: "The broad sanction powers [imposed by President George Bush] represent a sea change in the U.S. administration's approach to financial regulation and multilateral agreements. Before the terrorist attack, Washington opposed international threats to impose sanctions on tax havens that refused to share information with the U.S." Kaur added that at the height of the East Asian financial crisis, the "U.S. adamantly refused" to even agree to monitoring short-term funds. There was strong opposition from the United States and the IMF. The argument then, was that market forces, globalization, and liberalization were "here to stay" and that the free flow and movements were an essential part of the "New Economy." Malaysian Prime Minister Mahathir bin Mohamad's call for monitoring of hedge funds and hot money were ignored.

Sakakibara said, "Because hedge funds' financial resources are not disclosed . . . I am sure some of the hedge funds have terrorist funds." From the Asian perspective,

the hedge funds are the "pirates of the modern finance." He referred to numbered Swiss bank accounts. "Part of that may be terrorist funds and part of it may be for tax evasion. Are the Americans going to change that? . . . At least people in the Pentagon want to change that. But do the people in Wall Street want to change it?" he asked. "If you replace your Prime Minister's attack on hedge funds with the American attack on terrorist funds, it is the same thing. Not only your Prime Minister but U.S. Secretary of State Colin Powell is now calling for the same thing."

Transportation

Shanghai Maglev Project Is Well Under Way

The first guideway girder of the Shanghai magnetically levitated (maglev) Transrapid project was installed at a ceremony on Nov. 2, attended by Chinese Prime Minister Zhu Rongji and German Chancellor Gerhard Schröder. Zhu and Schröder also visited the workshop for making the beams used on the rail track. To date, the bases for 30 kilometers of track, about half of the projected line, have been finished; construction of support facilities, including stations, maintenance centers, and transformers, has begun; and more than 200 guideway girders have been produced in Shanghai.

Schröder said he hopes that other Chinese-German deals will be undertaken, including a 1,300 km maglev line from Shanghai to Beijing. "It's possible that we will see a nationwide maglev project," he said. "One particular characteristic of the Sino-German relationship is that we don't just do business and trade. As the Transrapid . . . shows, Germany is also willing to provide technology to our Chinese partners."

According to the *South China Morning Post*, Zhu Rongji said that the maglev technology, which has never been used commercially anywhere, could be put into service across the Chinese mainland if it proves successful. Zhu has been a key supporter of the maglev project.

Italy

Government Accelerates Messina Bridge Project

Italian Infrastructure Minister Pietro Lunardi announced in Parliament on Oct. 23, that he has ordered the state railway and road companies to present technical proposals for the various rail and road connection options to the Messina Bridge, which will connect Sicily to the mainland.

"The bridge represents not only an essential development" to our infrastructure system, Lunardi said, but is "a unique kind of work, given its technical complexity and economic relevance. It represents above all the spirit of the people of Sicily and Calabria, who finally let their voice be heard. . . . The government is proceeding according to a precise program that will lead the works to be started within 36 months, at latest not beyond 50 months from now. These deadlines might seem long, but in reality are very short, if one considers the dimensions of the work and the considerable amount of financial resources being mobilized."

Lunardi said that the government has decided on a joint public-private financing system.

Infrastructure

China Readies 'Move South Water North' Project

Construction of China's huge "Move South Water North" project is now officially set to start next year, Minister of Water Resources Wang Shucheng announced at an Oct. 30 meeting in Beijing to commemorate the 70th anniversary of the founding of the Chinese Hydraulic Engineering Society, *China Daily* reported.

The project, which will channel water on three planned routes from upstream, mid-stream, and downstream of the Yangtze River, will be "a fundamental strategic solution to North China's drought problem," Wang said. The project will divert some 38-48 billion cubic meters of water from the

U.S. PRODUCTION and new orders declines "are among the largest in the history of our report, which began in 1931," said Norbert Ore, chairman of the National Association of Purchasing Management's Manufacturing Business Survey Committee, in releasing on Nov. 1 the NAPM report on manufacturing activity. Consumer spending in September plunged 1.8%, led by a 3.2% drop in purchases of durable goods.

RUSSIA and its Eurasian Land-Bridge partners' economies are growing amid a world economic disaster, thanks to protection from globalism, the Nov. 4 *Washington Post* admitted. The disaster is increased because globalism, including specific pacts, such as the failed North American Free Trade Agreement, binds nations to the collapsing post-industrial "New Economy," it said.

BUNDESBANK President Ernst Welteke warned, "We have to be careful not to set the stage for the next speculative bubble," in an interview with the German daily *Frankfurter Allgemeine Zeitung* on Nov. 3. He was asked if, because of the low yields on bond markets, the excessive liquidity on financial markets is about to jump into the stock markets again. The central bank head also warned that any more rate cuts would trigger concerns about "long-term inflation."

SOUTH KOREAN creditor banks came up with a rescue package for the ailing Hynix Semiconductor on Nov. 1, "based on their own judgment from a commercial perspective," South Korean Trade Minister Hwang Doo-yun said. The U.S. Special Trade Representative's office had been pressuring the Koreans to let the world's third-largest computer chip maker close its doors on the grounds of "fair trade."

SECURITY for some 1,200 American cities in the wake of the Sept. 11 attacks cost at least an additional \$1.5 billion just for September and October, according to a U.S. Conference of Mayors survey.

Yangtze to the North each year. When it is completed, the amount of water diverted will equal the annual run-off of the Yellow River, the second-longest in China.

In addition to drought relief and flood control, the project's designers will concentrate on the severe problem of water pollution. China pollutes some 60 billion tons of water every year, and more than 80% goes directly into major rivers and lakes.

Medicine

Challenge To Patent Rights Could Save Lives

The threat made by U.S. Health and Human Services Secretary Tommy Thompson to break Bayer's patent for the powerful antibiotic Cipro, unless it sold the drug more cheaply to the U.S. government, is emboldening other nations that have been seeking to break patents on AIDS drugs and other essential medicines, so that they can provide life-saving medicines to their people.

Bayer Corp. normally sells Cipro, the antibiotic which is used for treating pulmonary anthrax, at a wholesale price of \$4.67 per pill, and \$1.77 per pill to the U.S. government. Under the agreement reached on Oct. 24, Bayer agreed to a reduced price of 95¢ per pill for the Federal government. But Ranbaxy, Inc., an India-owned company in Princeton, New Jersey, is offering to sell it for 40¢, saying, "We'd still be making money at that price." Ranbaxy sells a generic form of Cipro in India for 30¢ per pill. Some companies sell it for 10¢, and others offer to sell it for as little as 5¢ per pill, the Oct. 26 *Wall Street Journal* reported.

Thompson's threat is a sharp shift from the position the U.S. government has taken in the past. The threat reportedly sent a chill through U.S. drug companies, which view the U.S. government as their strongest ally in resisting demands of Third World nations.

Thailand and 50 other developing nations planned to urge developed nations at the Dohar World Trade Organization meeting on Nov. 9, to give up exclusive patent rights over production of medicines for deadly diseases such as AIDS and cancer,

which many nations cannot afford. Developing nations want the protection period for the production of medicines to be cut from 20 years to 5-8 years. Thai Commerce Ministry permanent secretary Karun Kittisataporn said that Thailand would recommend that the World Health Organization act as a third party to identify medicines that are life-saving drugs that would be included in any new agreement. "For the sake of human beings, I hope Western countries will accept the shorter period," he said.

Southeast Asia

Mekong Group, China Set To Close Deal

The four lower Mekong River states of Cambodia, Laos, Thailand, and Vietnam are expected to sign an agreement with China soon, according to Thai Science Minister Sontaya Kumplome on Nov. 1, the Bangkok daily *The Nation* reported. Under the proposed agreement, China, which shares half of the river's 4,800 kilometer length, would provide hydrological information for flood management and control. In turn, the Mekong River Commission (MRC) would provide China with equipment to modernize two hydrological stations on the Lancang River (China calls its section of the Mekong River the Lancang).

China plans to build several dams on the main stream of the river, raising fears about water levels among downstream countries. Manwan Dam, in China's Yunnan province, was finished in 1993, and construction of the Xiaowan Dam is to begin next year. The \$4 billion structure, which will be as high as a 100-story building, is expected to become the world's tallest dam.

The lower Mekong countries have expressed concern about the possible negative impact of steps China has taken to clear shipping channels in the upper Mekong by dynamiting extensive rapids. The current negotiations, in part, include discussions of China joining the MRC, so as to create a uniform, coherent water-management scheme. The agreement, if signed, would be a crucial step forward, said Sontaya, who is chairman of the MRC's council.