

Business Briefs

Malaysia

Government boosts construction sector

Malaysian (Public) Works Minister Datuk Seri Samy Vellu on June 1 announced a program worth 4.4 billion ringgit (slightly more than \$1.1 billion), for building 200 schools, 20 hospitals, and other projects to boost the crisis-stricken construction sector. The projects will be started immediately, and will be accompanied by another program, in the range of 3.8 billion ringgit, for construction of roads and bridges, over the next six months.

"These projects are vital, following a slowdown in the construction industry last year, due to the economic downturn, which also saw the ministry cancelling 2 billion ringgit worth of projects," the cabinet minister said. To ensure the smooth implementation of the projects, the minister said that he will hold two meetings a week, and make weekly visits to project sites. Many of the schools are to be completed within the next two years, and by next year, 25-30% of the hospital projects are to be completed, he said.

Advanced Technology

Pakistani urges Muslim world to go nuclear

Renowned Pakistani nuclear scientist Dr. Abdul Qadeer Khan urged the Muslim world (57 nations) to invest in the field of nuclear technology and the promotion of science and technology, in an interview with the Middle East Broadcasting Center in Islamabad, the Pakistani daily *The Nation* reported on May 31. "An energy-deficient Muslim world can bring [about a] revolution in the lives of its people if nuclear technology is used in an effective way," he said.

When asked about the U.S. CIA claims that Pakistan uses plutonium instead of enriched uranium, Dr. Khan said, "This is absolutely rubbish. Anyone with a slight knowledge of nuclear physics knows that for a plutonium device you ought to have a whole

paraphernalia of power plants, reprocessing plants, and other related establishments. We have no such set-up." He said that Pakistani devices were based on enriched uranium provided by the Uranium Enrichment Plant of Laboratories at Kahuta. "I believe the CIA needs a thorough overhaul and revamping," he said.

When asked about the help provided by China and North Korea in Pakistan's nuclear arms program, he said: "China is a great friend of Pakistan and our friendship is time-tested. Same goes for North Korea, as we have always adhered to the principles of self-respect and mutual cooperation for the benefit of the people of both countries. China and Pakistan have mutual cooperation in a number of projects. But I never cooperated with them in the nuclear field. They are building a power plant at Chashma for the Pakistan Atomic Energy Commission. Our missile program is completely indigenous and an outcome of hard work of our scientists and engineers."

Dr. Khan said that Pakistani scientists have been encouraged by the perfect flight of the Ghauri Missiles. "This has in fact motivated us to concentrate on satellite-launching technology, which will be a great achievement," he said.

Debt

Filipino clergy seek reduction, cancellation

Thirty Filipino bishops and 16 priests and nuns representing the Visayas and Mindanao have convened a coalition, the Philippine-Asia Jubilee Campaign Against the Debt (PACJAD), to demand that President Joseph Estrada's government "break the debt cycle." The coalition is seeking repeal of Presidential Decree 1177 (Article 31, Section B), which established as law the automatic allocation of 40% of budget funds for foreign debt service.

The coalition rejects the structural adjustment programs stipulated by the International Monetary Fund and the World Bank as conditions for loans. A statement issued by PACJAD says, "Debt-dependent countries such as our Philippines pay debts with

new debts, pushing them deeper into the debt mire." PACJAD is headed by Cebu Archbishop Cardinal Ricardo Vidal, and is participating in the Jubilee South Movement, involving Ibero-America, Africa, the Caribbean, and Asia-Pacific in following the guidance of Pope John Paul II's call for debt cancellation.

Cardinal Vidal issued a statement declaring that the debt problem had matured into "institutionalized global usury, perpetuated by international finance institutions and banks dominated by creditor-nations and private monopolies of the northern countries," depriving people of essential nutrition, health care, housing, and education.

Transport

Malaysia, China boost regional cooperation

China and Malaysia signed an agreement on May 31 on enhancement of cooperation in air, land, and maritime transport, and science, technology, and infrastructure development, at the beginning of a five-day visit of Malaysian Foreign Minister Syed Hamid Albar to the People's Republic. In particular, the agreement envisages cooperation in medical research, pharmaceutical production, and information and communication.

As part of the agreement, China and Malaysia will cooperate in the development of the Trans-Asia Railway system. In a joint statement issued on June 1, the two governments announced a framework for bilateral cooperation to promote the Singapore-Kunming Railway project of the Mekong Valley Development Program. The statement said that the project will serve the long-term interests of not only Malaysia and the People's Republic of China, but also other countries in the region.

The joint statement declares that both sides will undertake concerted efforts to further develop bilateral relations and to promote lasting peace, stability, and prosperity in the region; maintain close and frequent contacts and exchanges of visits at all levels; strengthen the mechanism of annual meetings between senior officials of their respective foreign ministries for consultations on

bilateral, regional, and international issues of mutual concern; and expand friendly and mutually beneficial cooperation in the fields of trade, investment, banking and finance, defense, security, education, science and technology, information, tourism, culture, and health.

Finance

U.S. slump could 'collapse global capitalism'

Japan's Vice Minister of International Affairs at the Ministry of Finance, Dr. Eisuke Sakakibara, told the May 24 *Australian Financial Review* that the flaws in the global economic system, and the vulnerability of the U.S. economy, could combine to bring about a collapse in the system of global capitalism. "The U.S., right now, is the center of global capitalism, and if the center collapses, the world system could collapse. And the situation in the U.S. is not sustainable," he said. Sakakibara is the man who first labelled the U.S. economy "bubble.com." He urged the use of capital controls.

"Last year, I think we were on the verge of collapse," Sakakibara said. "I remember Larry Summers saying to me, 'The world is collapsing.' But Wall Street forgets that the basic structure is the same. The U.S. authorities have maneuvered the situation very skillfully, but the basic structure of global capitalism is unchanged. The basic problem of this globalized and virtualized economy has not been overcome, so it may recur. And that is huge amounts of money, highly leveraged, moving across borders very quickly." He said, "I think it is possible for the U.S. to have a soft landing in the next year or two, but it is possible the Dow will crash."

Major changes to the international financial system are necessary, Sakakibara said. "We need to monitor flows of money, we need to monitor highly leveraged institutions, and we need to monitor offshore centers. And we may have to have some sort of prudential regulations, especially for developing countries. Just as the New York Stock Exchange has circuit-breakers, we need to apply the same sorts of rules to the international system." He urged the reporting of

large trading positions in foreign exchange and other markets, a more flexible approach by the International Monetary Fund, and general acceptance of capital controls as an intermediate step for countries in trouble.

Sakakibara is retiring from public service in July, and has accepted a visiting fellowship at the Australian National University.

Europe

Tauern tunnel fire exposes bottlenecks

On the weekend of May 29, a fire destroyed part of the tunnel through the Austrian Tauern mountains, closing it for repairs for at least several months. The tunnel is the main route for cars and trucks from west-central Europe into Italy and the Balkans. Its shutdown exposes Europe's infrastructure bottlenecks.

The shutdown is expected to double commodity transport costs, putting an especially heavy burden on food products from southeastern Europe and Italy. Danube waterway transport is already down because of the NATO air war against Serbia, and a sizable part of waterway cargo has been shifted to trucks, which have to go around Austria, using the poorer highways of Romania, Hungary, and Slovakia before they reach the Austrian highway grid, which meets modern transport standards.

For more than 20 years, additional tunnel projects and the expansion of existing single-tube tunnels by a second tube, including Tauern, have been delayed. Engineers favor separate lanes for private cars, trains, and trucks, to avoid situations like Tauern tunnel fire, caused when a truck crashed into a car at high speed and exploded, destroying more than 40 cars and killing five people. Fiscal austerity and ecological protests have killed or delayed all those projects, including preventing improvements. The crisis created by outdated infrastructure and increasing traffic can only be dealt with by massive investments into rapid development programs. On June 1, as a result of the fire, the Austrian government okayed the second tube for the Tauern tunnel.

JAPAN AND CHINA aim to work out a bilateral trade agreement during Japanese Prime Minister Keizo Obuchi's visit to Beijing in July. Jun Yokota, deputy director general of the Foreign Ministry's Economic Affairs Bureau, told Nikkei in Tokyo May 22. The two nations worked out a trade agreement for goods in September 1997, and are now negotiating liberalizations in services, including telecommunications, finance, and construction.

PERUVIAN banks are demanding a government bailout, as the merger of Banco Wiese, Peru's second-largest bank, with France's Sudameris has begun to unravel. Many fear that if the merger falls through, that may pull the plug on the banking system. None of the bailouts in Colombia, Mexico, and Ecuador, Peru's bankers neglect to mention, have succeeded in bringing any of those banking systems out of bankruptcy.

MYANMAR'S Economics Minister said on May 26 that foreign direct investment by fellow ASEAN members, which account for 60% of total foreign direct investment, fell 70% in 1998. Myanmar was spared the "initial crisis shock" of 1997 because of its underdeveloped capital markets, tight foreign exchange controls, and non-convertible currency, he said.

CHINA has agreed to significantly open its markets to Australian primary products including wool, dairy produce, meat, wheat, rice, and barley, as part of a deal to secure Australia's support for China's bid to join the World Trade Organization.

RUSSIAN and U.S. experts are voicing concerns about the plan by Energia, which owns the Mir space station, to leave it in orbit unmanned between August, when the current crew leaves, and next February. On June 2, thirty-one Russian space designers and engineers stated that there are no funds either for continuing the manned flight, or "for carrying out its guided descent into a designated area of the ocean."