

Business Briefs

China

North-South canal draws environmental opposition

The World Wide Fund for Nature (WWF), headed by Britain's Prince Philip, is opposing the planned North-South water diversion project in China, the *Hongkong Standard* reported on March 21.

The project was approved in March by government authorities. It will be a 1,242-kilometer waterway from Hubei province to Beijing, 30 meters wide and 7 meters deep. Fourteen billion cubic meters of water a year will be made available for agriculture and for urban water needs in Beijing and Tianjin, at a cost of \$6.5 billion. The worst drought of the century which is now hitting the north finally convinced Beijing to proceed with the long-planned project.

Dai Qing, an environmentalist, journalist, and dissident now in the United States, who leads the efforts against China's Three Gorges Dam, has called the North-South canal "a joke." The *Hongkong Standard* reported that "academics and environmentalists" have alleged that the canal will be a disaster for the 400 million people along the Yangtze River, who will suffer from water shortages, increased silting of the river, and similar problems.

Southeast Asia

Mekong River Commission formed

Senior officials from Thailand, Laos, Cambodia, and Vietnam signed an agreement on April 5 to set up the Mekong River Commission, an autonomous, intergovernmental organization, to promote "sustainable development and conservation," according to a statement released by the U.N. Development Program (UNDP) in early April. Priority areas for cooperation include hydroelectric power generation, irrigation, fisheries, tourism, and navigation.

The UNDP director for Asia and the Pacific, Nay Htun, congratulated the four countries on the agreement, saying it "captures the

new political environment" of the region. Environmentalist groups, such as the U.S.-based International Rivers Network, are already in an uproar that hydroelectric dams will threaten riparian peoples, forests, and wildlife.

Taiwan

North-south rail project gets government okay

The Taiwanese government in early April approved in principle a north-south high-speed rail project. The plan involves building a 330-kilometer track from Taipei, the capital, to the port of Kaosiung, a project that will cost \$16.5 billion and is to be completed by no later than the year 2003.

The Taiwanese parliament is expected to pass the budget for the first two years of the project during April.

The government has, however, not yet determined which train technology will be used. It is reported that Taiwan is considering either the TGV, produced by French companies, or the ICE, which is manufactured by German firms. Ostensibly, the use of maglev technology is not being considered.

Sweden

Government being pushed into draconian austerity

Following a dramatic collapse of the Swedish krona in late March and early April, triggered by selling by Swedish multinational companies and banks, Finance Minister Persson issued a statement on behalf of the Socialist government of Ingvar Carlsson on March 30, to the effect that "everything is fine; the government is on schedule with its deficit reduction plan. We won't do more unless the financial markets force us to." The statement triggered a panic selloff in the krona on March 31 and into the following week, forcing the government to reverse itself, stating that it would introduce supplemental budget cuts in the April 24 semi-annual budget revision of "between 10 and 50 billion krona."

Carlsson, who currently rules with a single-party minority government, is being pressured by the Riksbank (central bank), banks, and industry to adopt the "Finnish model," creating a government of national austerity to make draconian spending cuts in order to control a public debt that will reach 100% of Gross Domestic Product in a few months at present rates. Unlike Italy, Sweden is highly dependent on short-term foreign borrowing in capital markets, leading some Scandinavian analysts to predict that, if there is no drastic policy change, "Sweden will become the Mexico of the European Union."

On April 5, Carlsson was offered a coalition partnership by the pro-austerity Center Party. The "Finnish Model" refers to the creation of a government of national unity to impose tax hikes of 30% (amid 20% unemployment in the country) to stop a free-fall of the currency—a case of curing the disease by killing the patient.

Industry

Bronfman moves out of DuPont, into MCA

Seagram Co. Ltd, a firm run by the Canadian Bronfman family interests, plans to sell back to DuPont Co. a 24.1% or more stake that Seagram holds in DuPont, which will raise \$8.8 billion before taxes, and to buy 80% of the movie and entertainment company MCA, Inc. from Matsushita Electric Industrial Company for \$7 billion, according to news reports on April 7. Matsushita acquired MCA, which is known for such Steven Spielberg films as "E.T.," "Jurassic Park," and "Schindler's List."

Matsushita paid \$6.6 billion for MCA, and its withdrawal might also signal that Sony, which has lost billions on Columbia Pictures Industries, will be withdrawing from there as well.

The repurchase of 156 million DuPont shares was for \$53 a share, far below the current market value of \$64.75. The deal leaves Seagram with 8.2 million shares (1.5%) of DuPont.

DuPont Vice Chairman John Krol said the impetus for the deal was mutual. "There were no issues that created this. They [Seagram] had another plan in mind for what they wanted to

do with their investment. . . . We were looking at buying back our stock anyway.”

The Bronfmans' role in DuPont has been under attack by Lewis du Pont Smith, an heir to the DuPont fortune and an associate of Lyndon LaRouche. The Bronfmans helped orchestrate the ban on chlorofluorocarbons, which are especially critical for refrigeration and fire-fighting. Edgar M. Bronfman, Sr. is head of the World Jewish Congress, honorary vice chairman of the Anti-Defamation League (ADL), and head of the ADL Greater New York Appeal.

Meanwhile, Canadian securities regulators and Toronto Stock Exchange officials said on April 7 that they plan to investigate Seagram's lack of disclosure in the deals, Reuters reported. Stock Exchange officials are investigating insider trading. Seagram twice refused the Exchange's requests for information after rumors fueled stock price changes.

Infrastructure

Railway on southern Silk Road proposed in China

The construction of a railroad on the southern route of the Silk Road was proposed at the recent Chinese National People's Congress. Cheng Zhengning, a deputy from Yunnan province, proposed the China-Myanmar-India rail development from Tengchong, to be connected with the Myitkyina railway in Myanmar, and then into India. This rail connection between Baoshan in Yunnan province to Calcutta would be 2,100 kilometers, 6,000 km shorter than the water route through the Straits of Malacca.

The named route is the China-India Highway, called the Stilwell Highway, which is being constructed as a joint effort between China, Myanmar, and India. Cheng credits Sun Yatsen as the first proponent of the rail line, which is now sometimes referred to as the China-Africa line.

Meanwhile, the Chinese People's Political Consultative Conference has called for moving up the planned rail connection between Nanjing, near the coast, and Xian, the ancient capital, passing through Jiangsu, Hubei, Henan, Anhui, and Shaanxi provinces. The route is desperately needed to link the coast with the interior more efficiently.

Trade

German companies sign deals with Indonesia

German companies announced on April 3 that they have signed billions of deutschemarks' worth of contracts with Indonesia. Indonesian President Suharto recently attended this year's Hanover Industrial Trade Fair. In the course of his trip to Germany, Suharto said he would discuss his latest proposal for a Yugoslav confederation to end the war in the Balkans with the Kohl government.

The contracts signed so far include a \$1.6 billion coal-fired power plant in East Java to Siemens AG, with British and Indonesian participation; a \$1.09 billion power plant contract to the Swiss-Swedish engineering firm ABB, with two U.S. partners; a \$506 million agreement with Deutsche Telekom and its mobile phone unit DeTeMobil; and a \$300 million cement plant deal with Krupp Polysius. Smaller contracts were also signed with Meyer-Werft to build two passenger ferries (\$79.9 million each), and a \$21.79 million engineering contract with Renk Ag.

South Africa

Government puts priority on rural water supply

The South African government "is standing by its priority to supply water to rural communities," Johannesburg TV reported in late March. "The minister of water affairs and forestry, Prof. Kader Asmal, on March 22 announced that a dam [costing] 180 million rand will be built in KwaZulu-Natal. The dam on the Mvoti River north of Glenville in the Stanger area will be completed at the end of 1998."

One-third of South Africans do not have access to clean water, and half of the population does not live under hygienic conditions.

Professor Asmal also announced a water conservation campaign. Until water projects can be built, "the aim is to reduce the water consumption of the privileged and to make it available to the needy," according to the broadcast.

Briefly

● **MEXICO'S** Laguna Verde nuclear plant will soon operate at full capacity (1,200 MW), according to Energy Secretary Ignacio Pichardo. It is the first time that a government official has discussed nuclear energy since President López Portillo's plan to build 20 nuclear plants was shelved in the early 1980s.

● **BRITISH BANKER** Sir Brian Pitman, chairman of Lloyds Bank, estimates that another 75,000 jobs in the U.K. banking sector will be eliminated, on top of 90,000 jobs lost in the banking sector since 1989.

● **INDIA** will export 2 million tons of wheat to China this year, the first time it has done so. China has been hit by drought in the north, floods in the central region, and ever-decreasing arable land along the coast. India has had a surplus food-grain production of over 10 million tons for several years.

● **A MENINGITIS** epidemic in the Sahel region in Africa has caused the deaths of more than 2,500 people, almost 2,000 of them in the impoverished state of Niger. The economic crisis in Niger is an indication that health care and immunization there are at an unusually low level.

● **A CANADIAN** bank could go the way of Barings Bank, John Palmer, superintendent of Canada's financial institutions, said on April 7, Associated Press reported. "The only way [regulators] can make sure it won't happen here is to post teams of derivatives experts, on a 24-hour-a-day basis, in every trading room of every Canadian financial institution across Canada and around the world. And even then, something might slip past us."

● **POLAND'S** biggest savings and loan bank, PKO BP, will no longer buy dollars from customers, *Gazeta Wyborcza* reported in early April. The Polish daily said that today everyone in Poland is eager to get rid of their dollars.