

Business Briefs

Eurasia

Karimov champions new Silk Road

Uzbekistan President Islam Karimov discussed the importance for Eurasia, and for Uzbekistan in particular, of the development of the new land-bridge along the ancient Silk Road, in a recently released book entitled *Stability and Reform*, the Russian paper *Rossiyskaya Gazeta* reported Aug. 17.

Calling Uzbekistan "the heart of the Central Asia region," Karimov pointed to its key role in the "building of a Eurasian economic, scientific, and cultural bridge along the lines of the Great Silk Road. The republic has all the prerequisites to turn into a kind of regional center for the interstate transit of goods, capital, and labor, and to integrate national interests in the sphere of economy, culture, and politics."

Karimov enumerated the projects, which extend from Iran to Beijing, which have been recently opened: the Tedzhen-Sarakhs rail line (part of the Trans-Asian main line linking Beijing with Istanbul), the Andijon-Osh-Ergashtom-Koshgar highway, providing access to China and Pakistan, as well as the Termez-Gerat-Karachi highway, which provides access to the Indian Ocean.

Karimov also referenced the potential development of the port of Aqtau on the Caspian Sea (which development could be held up by disputes with Russia over international marine law with regard to the Caspian Sea).

South Africa

British-linked bank demands Thatcherism

The chief economist for South Africa's Standard Bank, one of the main players in the British intelligence-created South Africa Foundation, has issued a statement threatening the Mandela government that it had better stay with Thatcherite economic policy, or else, the South African wire service SAPA reported Sept. 4.

"Government has delivered in terms of

policy, but now the focus is on implementation—which raises questions of how deep is this belief and support within the government," economist Nico Czyptionka said. Implementation could lead to a split within the African National Congress, between those who favored an "international approach" and those who supported a "South Africa first" scenario, he added.

Czyptionka warned that any "backtracking," would lead to a strong response from the market. He said that the government had not yet adequately convinced foreigners of its good intentions. "If we cannot reverse the capital flight (by restoring foreign confidence) we will have no growth at all in 1997."

Industrial Policy

Outsourcing of jobs to eastern Germany flops

A study by the Stuttgart-based agency Management Partners has found that the outsourcing of jobs by German machine tool producers to eastern Germany was a complete failure, the German financial weekly *Wirtschaftswoche* reported Sept. 2. The study is based on a poll of 70 medium-sized machine tool producers in Germany.

While the outsourcing of jobs to eastern Europe had been initiated in recent years in order to cut labor costs, many such companies ended up with even higher production costs than before. Management completely underestimated a number of obstacles, such as a lack of training in the workforce, unreliability of suppliers, and huge additional efforts needed for coordinating operations. On top of this, the prices for industrial goods of eastern European suppliers were sharply increased recently.

The study concludes that many German machine producers now view the outsourcing of jobs to eastern European as a failed experiment. But, rather than draw the conclusion that a highly educated, high-skilled workforce is key to industrial success, and that outsourcing based on seeking out cheaper labor costs is inimical to a successful industrial policy, they are now orienting toward Vietnam and India for outsourcing.

Finance

Fears mount that Thailand may be the next Mexico

Across Southeast Asia, the rapid decline in exports has led to severe current account deficits on top of mounting foreign debt. Most press reports include a statement to the effect that "nobody is suggesting Southeast Asia faces a Mexico-style crisis," but then proceed to admit that Thailand could be an exception.

Thailand's foreign debt more than doubled in 18 months between mid-1994 and the end of 1995, from \$50 billion to \$100 billion. This is even worse than it sounds, since half of this debt is short term, borrowed to meet unexpected balance-of-payments shortfalls.

The pressure on the baht (the Thai currency) is enormous, forcing the government to intervene in the Hongkong and Singapore foreign exchange futures markets to prevent a run on the baht and a devaluation. Thailand's central bank admitted that \$12-13 billion is exchanged daily on forex markets, and that only a small portion of that has taken place in Thailand over the past few years, as the big Western and Japanese banks have joined in the speculation.

Infrastructure

TVA to help China develop hydropower

China is seeking help from the Tennessee Valley Authority (TVA) to manage its flood-prone river systems and to develop hydroelectric power, according to an agreement signed on Sept. 3. A memorandum of understanding was signed between the Ministry of Water Resources and the TVA to cooperate in modernizing and automating China's aging hydroelectric power plants. The TVA will also provide training to Chinese managers of such plants at facilities in the United States, wire services report.

The agreement could lead to TVA involvement in the development of the Han

River system, which is one of the tributaries of the Yangtze River.

China's plans for tapping the river would involve the construction of 12 new hydroelectric plants generating 13.8 billion kilowatt-hours electricity. Some of the Han's flow would be diverted to arid Beijing, in the northeast.

"China has the greatest hydropower potential in the world, and is planning dramatic improvements to its river system," said TVA Chairman Craven Crowell. "TVA can play a unique role in China."

Bulgaria

Food is hoarded as economic crisis worsens

Bulgaria's summer's harvest was one of the smallest in decades, while bread prices have tripled in the last three months. Given the fear of even more drastic food price increases, the hoarding of food has become widespread, the German daily *Frankfurter Allgemeine Zeitung* reported Sept. 4. As a consequence, salad oil, sugar, and flour have disappeared from shops. Polls show that 28% of all Bulgarians would like to leave the country as soon as possible.

On top of this, the government has introduced an austerity package in order to fulfill the International Monetary Fund (IMF) conditionalities for a new loan. Because of the austerity, heating costs have doubled since last winter. Electricity prices, after another increase (of 14%) takes effect in September, will be three times higher than last winter. The July inflation rate was 82%.

One-third of the population, according to World Bank estimates, is already below the poverty level. Most shocking is the situation of the 2.5 million pensioners, many of whom are eating out of garbage cans and are homeless. Social Minister Koralski is planning to allow 60,000 pensioners to use vacation homes to survive the winter. Bulgaria now has the lowest birth rate in all Europe, life expectancy is falling, and the health care system has almost completely disintegrated. Those who enter hospitals

have to bring their own food and bandages.

However, the IMF has warned the government that reforms are not continuing fast enough, and unless more state companies are shut down, it will not authorize the next \$115 million loan.

Banking

Deutsche Bank suffering from British disease

The City of London is worried that Deutsche Bank might shift its whole investment banking operation out of London, back toward Frankfurt, the German daily *Süddeutsche Zeitung* said in an editorial on Sept. 7. The editorial, titled "English Cultural Shock," said that Deutsche Bank is now suffering the consequences of shifting toward the British "fast buck" mentality. It noted that concerns over such a move by Deutsche Bank had been the first news item of the British Broadcasting Corp. radio on Sept. 6.

On Sept. 2, London's Investment Management and Regulatory Organization launched an investigation of three investment funds of Deutsche Morgan Grenfell, the London subsidiary of Deutsche Bank. The funds, which were heavily exposed to high risk exotic stocks, were suspended from trading after reporting losses of about \$210 million.

The editorial points to the fact that what happened with Morgan Grenfell is fully in line with similar recent disasters, such as those involving the Bank of Credit and Commerce International, Barings, and Fleming, which it myopically attributes to the "laxity" of British banking supervision. So far, "almost every cross-border cooperation with England has failed," the editorial said.

On the same day, the German daily *Frankfurter Allgemeine Zeitung* said that banking in the City of London is in the hands of lunatics, who are competing with each other in the most extreme forms. "In perhaps no other branch will you meet so many nervous, over-excited, and, at the same time, high-salaried people," it said.

Briefly

NIGERIA, BENIN, and Togo have signed a joint electric power accord, in which they will "build, maintain, and operate" a line and "exchange of electrical power according to the availability and needs of each of the states," the Nigerian Ministry of Power and Steel said.

THE ASSOCIATION of Southeast Asian Nations Industrial Cooperation Agreement, which would allow zero or close to zero tariffs for participating industries for inter-ASEAN trade, is stalled, *Asia Times* reported Aug. 26. Only Singapore and Thailand have ratified it.

CHINA has said it wants to invest \$18 billion in building a "Dragon city" in South Africa, the *London Times* reported Sept. 3. The complex of 500 factories, which would create 500,000 jobs, would put China on a par with Britain as the largest foreign investor in South Africa.

HONGKONG officials contacted George Soros in August, to warn him not to bet against their currency, the *Singapore Business Times* reported Aug. 31. The move was prompted by British press reports that Soros, whose team oversees the \$12 billion Quantum group of funds, planned to attack the Hongkong dollar.

'IRAQ possesses one of the richest hydrocarbon basins in the world, almost on a par to Saudi Arabia's potential, if not more," according to Mohammad Al-Gailani, an Iraqi petroleum geologist now based in London. He estimates that oil in place exceeds 321 billion barrels, and gas, above 168,400,000 million cubic meters. "The remaining undiscovered potential is probably as large," he said.

ASIA should "avoid the big mistake" of supporting university education, writes Reuven Brenner of McGill University, in the Aug. 20 *Asia Times*. Brenner regularly pens such insanity for the "British Voice of Asia," promoting derivatives and casino gambling.