

Business Briefs

Middle East

Form common market, Israeli leader urges

An Israel-U.S. partnership could help create a Middle East common market, Israel Electric Corp. Chairman Gad Ya'acobi told delegates at the Israel-North America Business Conference in New York on Oct. 9, the *Jerusalem Post* reported. A former Israeli ambassador to the UN, Ya'acobi was part of the group that earlier proposed the "Peres plan" for Mideast development.

In his address to U.S., European, and Israeli officials and businessmen, Ya'acobi presented four regional energy projects either already being implemented or under discussion: The Mediterranean Sea-Dead Sea canal; connecting the electricity grids of Jordan, the Palestinian Authority, Israel, and Egypt; a hydroelectric power station to produce 400 megawatts of electricity for Israel and Jordan; and the development of an oil-shale plant (Israel's only fossil fuel resource), which is about to begin.

"Regional cooperation is the foundation for peace, and its reinforcement," Ya'acobi told delegates. "It has to be expressed in many other areas, such as agriculture, tourism, transportation, telecommunications, joint ventures in industry, and R&D." Ya'acobi and other Israeli speakers are reportedly hoping to use the conference to help raise some \$50 billion for public and private sector projects in Israel over the next 10 years.

Indonesia

Development of eastern regions gets emphasis

Plans for the development of the vast eastern regions of Indonesia, including Borneo, Sulawesi, the Moluccas, and Irian Jaya, were laid out at a conference in September, the *Asia Times* reported Sept. 30. The government now has three priorities: developing 55 zones, spread out across the region to ensure equitable distribution of development; establishing links with the Northern Territory of Australia, Malaysia, and the Philippines;

and increasing investment in the region.

The area is two-thirds of Indonesia's land mass, but has only one-third the population and accounts for only 18% of its Gross Domestic Product. Previous development efforts, including transmigration programs, moving Javanese to the sparsely populated regions, has caused serious conflicts over the marginalization of local populations.

The region is part of the East ASEAN (Association of Southeast Asian Nations) Growth Area (EAGA), which includes Brunei and parts of Malaysia and the Philippines. Asian Development Bank reports emphasize "eco-tourism" for the area. But a serious development perspective, which would have to come as part of an integration of this "Asian lake" area into the Eurasian land-bridge concept, has yet to be developed.

Bulgaria

Sell-offs stepped up in attempt to please IMF

The monetarist-minded government of Bulgaria has accelerated plans for the mass privatization of 970 state-owned firms in a national "voucherization" system, selling assets to "every citizen"; has begun the sale of 15 select "profit-making" strategic industrial ventures to foreign private investors; and has begun the shutdown of 64 "non-profitable" ventures, in agreement with the International Monetary Fund, the Swiss financial daily *Neue Zürcher Zeitung* reported Oct. 8. The IMF recently refused to grant Bulgaria a \$115 million loan.

The state ventures that are to be sold to foreigners, for the lump sum of \$1 billion, include Alumina, the nation's biggest aluminum producer; the leading polymer producer Polymeri; two shipyards; and the sodium producer Sodi-Devnia. The sale has the character of "an emergency sale of the family's silver, than a well-considered privatization offensive," the paper commented.

Meanwhile, the medical workers' organization within the Confederation of Independent Trade Unions began a petition drive and protests demanding Health Minister Mimi Vitkova's resignation for aggravating the impoverishment of medical staff and hospitals. Most medical workers are not paid

regularly, and receive less than the national average salary of about \$70 monthly. Patients have had to bring their own bedsheets and food for hospital stays. The Plovdiv hospital recently started charging patients in hard currency, in an attempt to avoid closure from lack of funds.

Labor

Canadian strike over 'economic insecurity'

Canadian Auto Workers (CAW) President Basil "Buzz" Hargrove refuted the notion that Canadian car prices have risen because of labor costs, and that slow sales should be blamed on the workforce, in a letter to the editor in the Oct. 10 Toronto *Globe and Mail*. "Slow car sales are actually rooted in the unprecedented economic insecurity that most Canadians continue to experience, not in high prices," he said.

General Motors parts plants in the United States are shutting down, as the CAW strike expands. It is expected that Canadian negotiations will stall until GM settles with the U.S. United Auto Workers union over the major issue of outsourcing of its parts manufacture.

Hargrove noted that "sales of imported luxury vehicles are booming in Canada, as the rich get richer. But stagnant wages, still-high real interest rates, and a general lack of confidence are keeping a firm brake on mass vehicle sales. . . . By preserving well-paying jobs, by creating new ones . . . and by modestly increasing wages, the CAW is addressing the real 'affordability' problem."

Economic Policy

Philippine businessmen reject free trade

The fight of Katapat, the association of small and medium-size Philippine businessmen, against lifting the 50-year-old law barring foreign firms from the retail trade sector, is rapidly becoming a fight to challenge the constitutionality of the Ramos administra-

tion's entire strategy for trade liberalization and privatization.

According to sources in Manila, Katapat has won the support of the Federation of Philippine Industries in this fight, and the majority of the Senate Committee on Trade wants to kill pending legislation that will open up the retail-trade sector to foreign concerns. The committee is pushing for an overall review of trade liberalization. This bloc is led by Sen. Edgardo Angara, the former speaker of the Senate who was ousted by President Fidel Ramos last year, and may be a candidate in the 1998 Presidential elections. Only one of 24 senators supports opening up retail trade.

The Presidential palace, Malacanang, is now in the embarrassing position of pulling out of a proposed seminar on the constitutionality of trade liberalization, to be held at the University of the Philippines. Malacanang wants to avoid any "constitutional" debate for now, because the hottest constitutional issue in the Philippines is lifting a one-term limit on the Presidency itself.

The chairman and secretary general of Katapat attended the Schiller Institute's Labor Day conference in Virginia in September, and presented a statement asserting national sovereignty against the International Monetary Fund.

Debt

China is reviving state-owned firms

Ending interest payments and transforming corporate debt into capital input, have proven effective in "unraveling the debt chain" burdening China's state-owned enterprises (SOEs), *China Daily* reported Oct. 6. Pilot projects with 100 major SOEs have helped to optimize the firms' capital structure and reduce debt; in the first six months of 1996, SOEs were able to reduce their debt-asset ratio by 2.5%.

At least one-third of SOEs, the "pillar of the state economy," are operating at a loss and are heavily indebted. The SOEs' debt-asset ratio was less than 20% in 1980, but it shot up to 70% by 1993. In 1995, the ratio of the 148,000 SOEs hit 85%. Total debt is 3.36 trillion yuan (\$405 billion), compared to per-

sonal bank deposits of 2.97 trillion yuan. Interest payments are now up to 100 billion yuan a year.

The measures applied by the government include: returning a portion of their taxes to the SOEs, as the state's capital input to "transform the firms' fiscal debts, loans in arrears, and depreciations into the country's capital input;" ending interest payments; allowing firms which have lowered their debt-asset ratio to retain income and after-tax profits for investment; adopting a share-issuing system; and speeding up depreciation. SOEs in particularly bad situations will be encouraged, to declare bankruptcy or merge with other firms, to reduce the debt balloon.

Space

China plans manned missions by year 2000

Zhang Qingwei, vice director of the Chinese Academy of Launch Vehicle Technology, told the 47th congress of the International Astronautical Federation on Oct. 9, that a program to develop a launcher capable of carrying 20 tons would begin as soon as possible, the official *China Daily* reported. The paper, citing a "reliable source," said that China would launch its first manned space mission by the year 2000.

Some Chinese space experts at the congress protested China's lack of participation in the space station project, saying it would not be truly international without Beijing's input.

U.S. cooperation with China has just started, but closer ties are expected. According to a NASA protocol, a series of small experiments must first be conducted in space to develop a relationship with Chinese scientists, before personnel could be trained for the Shuttle. "Flying an astronaut is pretty significant," a NASA spokeswoman said.

Executives from Spacehab, a NASA Space Shuttle contractor, were in Beijing in October, to discuss prospects for launching Chinese scientific experiments, and a Chinese astronaut, into space within the next few years. The funding may come from Taiwan, Japan, and Germany.

IRAN signed agreements with Armenia and Russia on Oct. 9, for cooperation in housing and urban development. The deal with Russia focusses on construction of low-cost apartments. "Russia plans to construct about 8 million housing units in the coming years," said Russian Minister of Building Yefim V. Basin.

AN OIL PIPELINE linking Iran with Turkmenistan will be undertaken soon, a spokesman for the National Iranian Oil Refining and Distributing Co. said Oct. 8, *Ettala'at* reported. Under the agreement with the Turkmen Oil and Gas Ministry, Iran will assume civil engineering operations for the project, procure machinery, and build facilities.

FAMINE threatens 13 African nations, if they do not receive emergency food aid, the UN Food and Agriculture Organization warned in a report presented in London on Oct. 9. The threat is predominantly to countries such as Burundi, Liberia, and Somalia.

HYDRO-QUEBEC head Benoit Michel is the originator of a five-year plan to "adjust" Hydro-Quebec's workforce by eliminating 9,000 jobs, according to *Matinternet* on Oct. 9. Michel was fired by Parti Québécois leader Lucien Bouchard for not being austere enough.

RUSSIA'S harvest will be below official forecasts, with a total volume of 68-73 million tons, the Agricultural Ministry in Moscow wrote in its most recent estimate, the Austrian daily *Die Presse* reported Oct. 5. The forecast had been for 77 million tons. The 63 million tons in 1995 was the lowest in 30 years.

PAKISTANI banks are faced with large-scale withdrawals, caused by a loss of confidence in the economy, the *Asian Age* reported Oct. 10. The country is in a liquidity crunch, and there are fears that the central bank is running short of funds, as the government raises yields in a desperate attempt to get money.