

Business Briefs

Albania

One-fourth population living off interest income

Amid the economic collapse in Albania, 150,000 families, according to estimates, that is, 25%, are now living solely off interest income, the eastern German daily *Sächsische Allgemeine Zeitung* reported Oct. 28.

These families have given their savings, and money received from relatives abroad, to financial brokers, who allegedly invest it in private businesses in Albania. The official explanation is that in the absence of private banks (the state banks are not able to extend credit), these savings are the only available financial resources for private investments. The total amount of money involved in these schemes is about \$2 billion, which is 10% of Albania's Gross Domestic Product.

According to the paper, the World Bank recently issued a warning that this operation is going out of control. It is suspected that the financial transactions are a huge money-laundering operation. For the moment, the 150,000 families are receiving interest payments of up to 25% per month. However, when the operation falls apart, the consequences for the Albanian people will be devastating.

Infrastructure

Revive Paris-Moscow corridor, bankers urged

The grand European development axis, from Paris, through Berlin and Warsaw, to Moscow, should be revived, Jürgen Schrempp, chairman of the Daimler Benz Group, told a Berlin banking seminar on European perspectives on Oct. 30.

Criticizing the chronic giant traffic jams at the border between Germany and Poland, which have slowed travel by rail from St. Petersburg to Paris so much that the same ride took less time at the beginning of this century, Schrempp said that problems like these have to be overcome soon, in order to restore Berlin to its role as the genuine hub of east-

west transport.

Schrempp elaborated on the concept of developing the major east-west transport routes, drawing parallels to the way the major north-south routes in Europe were built in the 1960s. "We need the revival of the big European development Paris-Berlin-Warsaw-Moscow axis," he said. "It also serves the reunification of Germany, because it connects the economy in the West and the East. Transport grids develop regions, they activate hidden potentials. And, they encourage and force the politicians to get active and remove the bureaucratic and transport obstacles, to tear down the turnpikes.

"Imagine an east-west infrastructure corridor, a highway running across the entire distance, a high-speed train route running along this axis. A project of such large dimensions, which would demonstrate the political and economic commitment, could give impetus to investment, growth, and employment. This concept will blow away the signs of fatigue that the unified Europe is presently suffering.

"This initiative should be the beginning of a European alliance for employment, with which the frustrating mass unemployment could be fought. Industry will not stand by idly, when the EU Commission pushes its already-designed infrastructure projects forward."

The one weakness in Schrempp's approach, was his failure to demand long-term, low-interest credit to finance such a project. "It need not even be required that the state is exclusively funding that. There are models of private-initiative financing procedures," he said.

Labor

Unions told to fight for high Third World wages

Western European trade unions have to fight for high wages in developing countries in order to save jobs in the advanced sector nations, Hubert Feuchtlbauer, a columnist who regularly writes for Catholic journals in Austria, said in an op-ed in the Austrian daily *Die Presse* on Oct. 28.

Feuchtlbauer attacked the neo-liberal (free trade) propaganda, which calls for reducing wages in the richer countries, because otherwise workers would lose jobs to low-wage countries. He asked, why not draw the opposite conclusion out of the logic of globalization? Why don't we see a global campaign by trade union leaders and churches in the industrialized sector, calling for higher wages and social standards in eastern Europe, Ibero-America, and Asia? In respect to competitiveness, this would have the same effect. However, higher wages in the developing sector would, in addition, strengthen exports from developed nations.

Feuchtlbauer said that he proposed this idea recently to the "U.S. futurology guru" John Nasbitt, but received a rather cold response. Nasbitt told him, "Forget it." In any case, Nasbitt emphasized, the share of the cost of labor in overall production costs has fallen on a worldwide scale from 25% in 1970, to only 4% today. But why, then, cut wages in our countries? asks Feuchtlbauer.

Finance

Malaysia moves deeper into virtual economy

Malaysia's Deputy Prime Minister and Finance Minister Anwar Ibrahim presented the 1997 budget to parliament on Oct. 25, signaling that Malaysia is preparing to offset the slowdown in its economy by moving deeper into the clutches of financial speculation and cyberspace. The plan projects 1996-97 growth at 8.2% in 1996 and 8% in 1997, significantly lower than the 9.5% reported for 1995, the London *Financial Times* reported Oct. 26. A key target is to rein in the soaring current account deficit, reported at nearly 10% of GNP in 1995, by slashing imports and boosting exports. Malaysia has been hard hit by the collapse of the electronics sector.

Ibrahim said that the economy "must be driven by intellectual and creative energy." However, in a country that has no fundamental scientific research institutes, what that means, is that manufacturing will increasingly give way to "the new stimulus" from "services and information-based industries."

Briefly

INDIA, RUSSIA, and Iran are discussing a new trade route, the Iranian daily *Ettela'at* reported Nov. 1. The multi-modal trade route would go from Mumbai port (Bombay), to the Iranian port of Bandar Abbas, overland by rail through Iran, Azerbaijan, and Armenia to Moscow, and to Berlin. Iran has offered its port and rail connections.

SWITZERLAND saw 40,000 protesters in Bern, the capital, Oct. 26, the biggest demonstrations since 1918, the German daily *Die Welt* reported. People opposed the government's austerity policy, deregulation and privatization schemes, falling wages, and the elimination of jobs. The week before, 15,000 farmers protested agricultural policy.

CANADA'S Air Traffic Control System is being run by NAV Canada, a private firm, as of Nov. 1, after the government sold it for \$1.5 billion. In Washington a few weeks before, Joseph Stiglitz, chairman of the U.S. Council of Economic Advisers, said that he favored doing the same thing in the United States.

NATURAL GAS from the Yetagun field in Myanmar will begin to be delivered to Thailand in 1999, by a consortium of Premier Oil (U.K.), Texaco (U.S.), and Nippon Oil (Japan), under an agreement initialed in Bangkok Oct. 29.

RUSSIA'S population decreased by 350,000 people during the first nine months of 1996, to 147.6 million, ITAR-TASS reported on Oct. 30, citing the State Statistics Committee. This decline was offset by net immigration of 150,000 during the first half of 1996, Radio Rossii reported Oct. 20. The death rate is 14.5, and the birthrate 9.1, per 1,000.

KAZAKHSTAN'S grain harvest will fall to 11 million tons, below official forecasts of 13-14 million tons, experts at the Academy of Agricultural Sciences said Oct. 30. Human demand could be met, but livestock levels could fall further, they said.

Ibrahim announced a series of tax incentives to induce foreign companies to set up shop in Malaysia's new cyberspace "multi-media super-corridor." The clincher is that Malaysia's offshore money-laundering center, Labuan, will be expanded, including new laws to allow Malaysians to operate offshore companies.

Trade

German industry back in Indonesia, Philippines

In the course of German Chancellor Helmut Kohl's trip in October to Indonesia, ministers and businessmen accompanying him told reporters that contracts worth \$855 million were signed, wires services reported Oct. 29. Fritz Kleinsteuber, director of the Indonesian-German Economic Association in Jakarta, said Germany had missed out on the "tiger" boom of Southeast Asian economies, "but now we are back. The strong German *Mittelstand* [small and medium-size firms] will help Indonesia because they are full of initiative."

German Economics Minister Günter Rexrodt told the press, "We offer what a growing market needs: investment and infrastructure goods in the broadest sense." Kohl and Rexrodt both expressed concern over the declining numbers of Indonesian students in German schools.

Kohl unveiled a \$949 million investment package to Philippines President Fidel Ramos Oct. 29, the London *Financial Times* reported. Germany is the Philippines' eighth largest trading partner (\$2 billion annually), but expects to rise from sixteenth to fifth place as an investor within six months, by taking advantage of the Philippines' wholesale privatization program.

The biggest part of the package is a \$650 million Siemens deal to build a 990-megawatt, gas-fired power plant in Batangas, 80 kilometers south of Manila. This will be a joint venture with a local company, First Gas Holdings, and British Gas. More deals may follow, given next year's privatization of the Philippines national power company.

The second biggest project is a \$266 mil-

lion telecom deal, in which Deutsche Telekom will take a 35% stake in a local company, Isacom, which will install 700,000 lines in the next three years.

Audi also expects to initial a deal with Proton Philippines, the local arm of the Malaysian national car firm, to assemble Audis at the Proton plant north of Manila.

Industry

Deutsche Bank targets machine tool producer

A group of German banks, led by Deutsche Bank, has decided not to extend DM 15 million (\$9.4 million) in credit to Heckert Chemnitzer Werkzeugmaschinen GmbH, the biggest producer of machine tools in the eastern German state of Saxony, and, as a result, Heckert is expected to file for bankruptcy, the daily *Die Welt* reported Oct. 28. Deutsche Bank, whose credit share was only DM 2 million, has increasingly adopted British-style anti-industrial policies, a problem which is expected to worsen with the resignation of bank chairman Hilmar Kopper and his replacement by Rolf Breuer.

Heckert, a subsidiary of Traub, which produces machine tools in western Germany, is not faced with a lack of orders, but a short-term liquidity gap because of the collapse of Traub. Heckert is perceived as being the most successful privatization in the eastern German machine-producing sector.

As *Die Welt* reports, the "destructive habit" of the big German banks, in particular Deutsche Bank, has created "extreme indignation" at the BVS, the successor organization of the Treuhand agency, responsible for privatizations. BVS manager Rudolf Bohn has written to Breuer protesting the decision. Bohn raised the suspicion that Deutsche Bank is forcing Heckert into bankruptcy, in order to more easily restructure the Traub factories in the west. About 2,000 jobs in the Chemnitz region are dependent on Heckert.

Trade union official Sieghard Bender stated, "Deutsche Bank is taking Heckert as a hostage, to solve its Traub problems." He warned that if Heckert goes bankrupt, the situation in Chemnitz will explode.