

Business Briefs

Southeast Asia

Thai prime minister chairs export summit

Thailand's Prime Minister Chavalit Yongchaiyudh and Finance Minister and Deputy Prime Minister Amnuay Viravan met with a select group of heads of 31 export firms on May 24-25 in Pattaya, to hammer out measures to resuscitate the ailing Thai economy. No other government officials were allowed to attend the session, Commerce Minister Narongchai Akrasanee told reporters, so that the businessmen "could speak freely to the prime minister."

According to the Thai daily *The Nation*, Chavalit promised tax reform, financial support, a relaxed commercial policy, and labor force skill training, as well as an overhaul of customs and excise procedures, and "a change of attitude of officials."

As a follow-on to the session, the Thai government is scheduled to host a nine-nation seminar in mid-June in the northeastern city of Chiang Rai, to promote regional border trade. The seminar will be hosted by the Commerce Ministry, which is also consulting with the National Security Council on increasing border trade with Myanmar.

Eurasia

London hosts rail meet to counter Land-Bridge

The City of London is vigorously attempting to get its foot in the door on the Eurasian Land-Bridge, to better sabotage the project from within. On July 6-9, there is to be a conference in London entitled "Creating a World Railways System," featuring presentations on a future world rail system which would connect the Americas, Russia, China, Europe, and Africa, "revolutionizing world trade" and "generating employment." The conference announcement calls this world rail system "the greatest terrestrial project of the post-Cold War era." Strait of Gibraltar and Bering Strait tunnel projects, a Pan-America railroad, and other major projects are mentioned. There will be a showing of a

new 30-minute documentary on the Bering Strait tunnel project, produced by CNN. The ostensible organizer is a London-based "international relations and communications" consulting firm, which is charging exorbitant fees for attendance.

The conference will include a seminar, "hosted by members of the City of London's international project finance community," on the financing of rail projects. The demand for "private financing" and "strictly free market criteria," was a crucial tactic in European Commission Vice President Sir Leon Brittan's brazen attempt to derail the Eurasian Land-Bridge conference in Beijing, one year ago.

The latest announcement was received with skepticism by two infrastructure experts contacted by *EIR*. They recalled a proposed conference in London on the Bering Strait tunnel project, originally set for 1995, which was repeatedly postponed and then cancelled last year without explanation. According to one report, the organizers absconded with the registration fees.

Petroleum

Kazakhstan, Russia finalize oil pipeline

On May 16, in Moscow, members of the Caspian Pipeline Consortium (CPC) finalized financing for a 1,500 kilometer pipeline to transport oil from the Tengiz field in Kazakhstan, to the Russian Black Sea port of Novorossiysk. Participants included Russia, Kazakhstan, and Oman, plus the international firms party to the CPC (share ownership breakdown: Russia 24%, Kazakhstan 19%, Oman 7%, Chevron Oil 15%, Mobil Oil 7.5%, Oryx 1.75%, the LukArco joint venture 12.5%, Russian-British firm Rosneft-Shell 7.5%, British Gas and Agip 2% each, and Kazakhstan Pipeline 1.75%). The pipeline is to come on line in the fall of 1999, and the CPC estimates that 4,000 jobs will be created during construction. Russia expects to earn \$23.3 billion over the life of the pipeline.

Kazakhstan President Nursultan Nazarbayev said that the pipeline will carry 65 million tons of oil a year. Kazakhstan currently

produces 25 million tons, and is planning for 100 million tons by the year 2000, 140 million tons by 2005, and 170 million tons by 2012. He said that Kazakhstan is counting on the Russian route as its major one, while still "seeking other routes to the world market"; Kazakhstan already swaps oil with Iran and ships small quantities through Azerbaijan and Georgia.

Kazakhstan is also working on a project to export oil by rail to northern China and to build a gas pipeline west to its border with China.

Meanwhile, Azerbaijan's President Haidar Aliyev met on May 19 in Baku with Nick Zana, director-general of Tengiz-Chevroil. Itar-TASS reported on May 21 that Aliyev and Nazarbayev may meet in Almaty, the Kazakhstan capital, in June, to sign an agreement on construction of a pipeline on the Caspian Sea bed, to bring Tengiz oil to Baku, for transshipment through the Transcaucasus pipelines (on one of the much-debated routes, to Russia, Georgia, or Turkey).

East Asia

Tumen River zone gets boost from rail link

The 100-kilometer rail connection between the Russian port city of Zarubino on the Pacific Ocean and the Chinese city of Hunchan, Jilin province, has been completed, although it apparently has not yet begun to carry traffic, the May 15 *Russian & CIS Railways Electronic Newsletter* reported under the headline "Tumen River Trade Zone Takes a Leap Forward." It is the central rail line in the Tumen River development zone, established as a trade zone in 1995 by agreement among Russia, China, South Korea, North Korea, and Mongolia.

The potential of the Tumen River area is sketched on pp. 172-3 of *EIR's Special Report*, "The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development." The special advantage of the new rail link is to shorten the sea access for northern China and Mongolia. The railway joins the Ussurisk-to-Khasan railway at Kraskino. Its construction was a

\$350 million project.

From the Russian side, there is still some geopolitical opposition to the Tumen area project, as exemplified by Aleksandr Lebed at a May 22 press conference. He denounced it, as taking business away from Russian ports: "Here is another flagrant example of government treachery, the transfer of a section of our land where the Chinese want to build a port on the River Tumannaya, the so-called Tumengan project. Russia's defeat here is obvious — China will make a shortcut of about 1,000 kilometers. As a result, Vladivostok and Nakhodka will run dry, if not in months, then in years. This would deliver a colossal blow to the fundamental principles of national security. We will lose our geopolitical advantages in that rich region forever, I think. Back in 1927, one Oriental geologist said that if they developed a site on the River Tumannaya, they would easily bring the Far East to its knees."

India

Vast consumer market proving to be a myth

Indian and foreign manufacturers of consumer durables are becoming wary of the hype that there is a vast market of 200 million people in India, as stocks of automobiles, televisions, washing machines, and other items are piling up, forcing producers to cut back production, *The Hindu* reported on May 28. Manufacturers, compelled to dispose of their stocks, have resorted to strategies such as supplying color TVs for one rupee down, plus small monthly installments, and auto companies offering free use of a vehicle for more than a year.

These are desperate measures, *The Hindu* commented. In January, production of consumer durables was 10.1% less than in January 1996. In April-January 1996-97, production increased by 5% compared to the explosive 37% growth in the same period of 1995-96.

Based on faulty estimates, after 1991 the government promoted the idea that an estimated 40 million households (the top 20% of India's population) were able to purchase a variety of consumer goods, and supplies

increased vastly. However, the ability of Indians to purchase more expensive durable goods, including cars, is much more limited. The annual per-capita income in India was \$340 in 1995. A family of five that earns even five times that amount, still does not have enough to purchase the durable consumer goods that the bigger companies are interested in producing.

Trade

Chinese official: Ties to Australia will grow

China's Vice Premier Zhu Rongji told the Australia China Business Council at a Sydney luncheon on May 28, that economic ties between China and Australia will strengthen, the *Sydney Morning Herald* reported on May 29. "There will be stability and prosperity" for those with interests in Hongkong, and "any changes will only be for the better," he said. He forecast that the combined value of Hongkong and China two-way trade with Australia will reach \$12 billion by the year 2000, and would double again by 2010. During the past five years, two-way trade with Australia has increased by more than 20% a year.

Zhu, accompanied by his wife, three ministers, four vice-ministers, and 58 business officials, visited Australia in late May to encourage better business relations and trade with China, and to show appreciation for Australia's decision not to co-sponsor a UN Human Rights Commission resolution critical of Beijing's human rights record.

"We sincerely hope that people of vision in the Australian business community will come to China for investment and cooperation to the benefit of common development," Zhu said. He emphasized that only "fools" would leave Hongkong because of the July 1 Chinese takeover, and said that "legitimate interests of Australia in Hongkong will be fully guaranteed."

While Zhu announced that China would be buying more wool and iron from Australia, Australian Deputy Prime Minister Tim Fischer, in talks in Geneva with China's Assistant Minister of Trade Long Yongtu, was pushing the free trade line that China's farm liberalization does not go far enough.

THE UNITED KINGDOM'S largest manager of pension fund money, Mercury Asset Management, is boycotting investing money in the London Stock Exchange, part of "a buyers' strike since early last year," the *Guardian* reported on May 28. Two months ago, Tony Dye, manager of PDFM, the second largest U.K. fund, told the *Sunday Telegraph* that it had also boycotted stocks in anticipation of a major market crash.

CHINA AND IRAN reached agreements on oil cooperation on May 26, the Iranian daily *Ettela'at* reported. Iranian Oil Minister Gholam-Reza Aqazadeh, in Beijing on May 26, said that Iran is determined to continue its "strategic cooperation with the East."

TANZANIA'S debt service costs hit 53% of government revenues, \$39.4 million, for April, the Tanzanian Central Bank reported on June 1. Finance Minister Daniel Yona told parliament that debt repayments were "eating up" 40% of revenue, but, "we have to pay," he said. "Non-payment of our debt obligations would erode the government's credibility."

UZBEKISTAN'S State Property Committee and the privately owned Indonesian conglomerate Bakrie signed deals in May for investments worth \$600 million in development of the Central Asian nations' oil and gas fields, and construction of a \$300 million fertilizer plant in Uzbekistan.

MYANMAR and China signed a broad economic and trade agreement on May 29, and will set up a joint works committee to promote cooperation. Further details on the agreement are not yet public. The agreement follows the U.S. ban against further investments in Myanmar.

THE FARM crisis in the European Community cost 230,000 full-time jobs in the agricultural sector in 1996, a 3.2% decline in one year, the German newspaper *Welt am Sonntag* reported on May 25. Spain and Austria headed the list, with a 5.9% job loss.