

Business Briefs

Infrastructure

German study links transport to GNP growth

Without the expansion of the transport sector between 1965 and 1990, Germany's Gross Domestic Product today would be lower by more than 500 billion deutschmarks (slightly more than \$300 billion), said Prof. Herbert Baum, head of the Cologne Institute for Transport Sciences, based on a study prepared for the German transport association and released in Bonn on May 31.

Baum emphasized that the positive economic impact of expanding road, rail, and waterway transport is generally greatly underestimated. On top of the 1.5 million jobs in the German transport sector itself, there are another 400,000 jobs in the construction sector secured by investments in transport infrastructure, and another 2.3 million jobs in supplier industries.

Based on his economic model, Baum calculates that if the growth of the German transport sector during 1965-90 had not occurred, the productivity of German labor in 1990 would have been lower by about 20%. The German GDP in 1990 would have been DM 1.772 trillion instead of DM 2.309 trillion, or DM 537 billion less.

At a press conference with Baum, Eduard Oswald, the head of the German Parliament's Commission for Transport, Housing, and Construction, pointed to an urgent need for increasing investments in transport infrastructure. For example, traffic jams now cost about DM 200 billion per year, he said.

Finance

ASEAN urged to block foreign takeovers

Thai businessman Meechai Viravaidya proposed that a holding company be set up by the Association of Southeast Asian Nations, in which ASEAN members would hold equity stakes in one another's privatized companies to preclude the total takeover of key assets by foreigners, the Singapore daily *Straits Times* reported on June 9. The proposal was made to representatives of the 10

members of ASEAN, who met in Singapore on June 8, in the so-called Eminent Persons' Group, to discuss the outlines for regional development laid out in the Hanoi Declaration of December 1998.

Meechai compared the idea to British-French collaboration on the Concorde, but which, in ASEAN's case, could apply to essential infrastructure and services, including telephone, railway, and electricity generating companies. He said that the idea would not only bring the ASEAN countries closer together, but that "otherwise, all of it would be owned by richer countries from the West or richer countries just in the Asian region alone."

Jordan

Emergency steps needed to save the economy

"The Jordanian economy is in the intensive care unit," Jordanian Prime Minister Abdel Raouf Al-Rawabdeh told Parliament on June 13, according to the Arabic newspaper *Al-Quds Al-Arabi*. Rawabdeh presented a shocking picture of the state of the economy and financial affairs in the country. "I have promised you and the people to speak frankly. Our economy is very deteriorated, and is in a very dangerous situation, a fatal situation. I can say that it has entered the intensive care unit and needs immediate measures to save it," he said. "I will say openly for the first time: I admit to you that our economic adjustment program has failed."

Members of Parliament were furious at his remarks, suspecting that Rawabdeh is paving the way for new, harsh economic measures. In recent years, Jordan has been at the mercy of the International Monetary Fund and the World Bank. Despite a strict austerity program, Jordanian foreign debt has risen to constitute 90% of the national income this year.

Rawabdeh said that none of the pledged help which King Abdullah was promised at the time of his father's funeral in February, has been received. "During our visits to the Arab countries, we received nothing but warm emotions," Rawabdeh said. Also, during the King's visit to western Europe and

the United States two weeks earlier, very little was achieved in terms of writing off Jordan's foreign debt, one of the King's stated priorities.

Southern Africa

Unemployment at 80%, says Oslo institute

According to a report by the Oslo-based Fafo Institute for Applied Social Science, only about one in ten members of the labor force in the 14 member countries of the Southern African Development Community (SADC) are employed, the *Johannesburg Star* reported on June 15. The report attributes this to the lack of education, low skill levels, declining Gross Domestic Product in the member states, and regional conflicts.

The report said that only 20% of the region's economically active labor force is employed, with only about 40% of those involved in formal employment. Those employed outside the formal sector were "either unemployed or struggling to find a means of survival in the informal sector of subsistence farming."

According to SADC, its 14 members have a population of 180 million people. Of these, an estimated 30% live in abject poverty, with about 30-40% of the labor force unemployed, or "living out of subsistence agriculture which is prone to adverse weather such as drought and floods."

Space

Russia, South Korea to establish cooperation

South Korean space officials, part of a delegation with President Kim Dae-jung, were offered a package of proposals by the Russian government at a meeting in Moscow on May 28, for joint work in the development and manufacture of satellites and other possible joint space projects, *Space News* of the week of June 14 reported.

Georgy Polishchuk, head of the Russian Space Agency's Earth observation depart-

UZBEKISTAN President Islam Karimov called for expanding ties with China as part of an effort to revive "the ancient Great Silk Road" linking Europe to Asia, during a visit to Tashkent by Chinese Deputy Premier Qian Qichen on June 11.

JAPAN has decided to end a six-year blockade on credits to Iran, the Japanese daily *Yomiuri Shimbun* reported on June 13. Japan will start by releasing 20-40 billion yen (\$169-339 million) to help in the construction of a dam and a power generating station in southwestern Iran.

CRÉDIT SUISSE is preparing to sack ten members of its staff in Japan for trying to block a Japanese government investigation into illegal practices by the bank, including trying to hide the huge derivatives losses of its clients, the June 19 London *Times* reported.

ASSOCIATION of Southeast Asian Nations members are reviewing a project for a natural gas pipeline network in the region, called the "ASEAN Gas Grid." The president of the state-owned Petroleum Authority of Thailand said a study for the pipeline would be ready in time for the Gasex 2000 conference in Pattaya, Thailand, on Sept. 11-14. The president indicated the pipeline could also be extended to India.

THE IMF'S resources should be doubled to \$600 billion to deal with coming financial shocks, former U.S. Deputy Treasury Secretary Roger C. Altman and C. Bowman Cutter, former economic adviser to President Clinton, said in an editorial in the June 16 *International Herald Tribune*. The "system is rickety," and "there should be little doubt about the inevitability of renewed financial crisis," they wrote.

RUSSIAN cosmonauts German Titov and Vitaly Sevastyanov, currently members of the State Duma (Parliament), have called on Russians to contribute to the People's Charitable Fund to Save the Space Station Mir.

ment, told *Space News* that the package included joint development of telecommunications and Earth remote-sensing satellites, the ability of South Korea to buy data collected by Russia's existing remote-sensing satellites, and the launch of South Korean satellites on Russian launch vehicles.

The South Korean government's interest in the proposal was indicated by Yulrae Cho, Korea's Washington Embassy's science attaché, who said that South Korea would also like to acquire "basic theoretical knowledge" about the design of Russia's launch vehicles. A special Russian-Korean commission will be set up in June to fill in the details over the next months of the kinds of cooperation the two nations might plan.

Japan

Government to create jobs as economy falters

The Japanese government announced on June 11 an unprecedentedly large government jobs-creation program, for 700,000 workers, Nikkei reported. Nearly half of the new jobs (300,000) will be in the government itself, and the other 400,000, it hopes, will be in the private sector. Prime Minister Keizo Obuchi hopes to get a supplementary budget passed for the jobs program of some \$4.2 billion.

The program follows the release of figures on May 25 by the statistics bureau of the Management and Coordination Agency, showing that unemployment rose to a new all-time high in April of 4.8%, while the jobless rate among men hit a record 5%. "The unemployment situation is still very severe," Chief Cabinet Secretary Hiromu Nonaka said. "It is our urgent task to remove anxiety . . . and put the economy on a recovery track."

Also, Japan's industrial production in April fell 2.7% compared to March, the Ministry of International Trade and Industry said on May 27. And, Japanese corporate bankruptcy debt in May more than doubled from May 1998, the credit research firm Teikoku Databank announced on June 14.

Under the government program, some 100,000 mid-career workers and business executives (in their 40s and 50s), many of whom are being laid off as many Japanese

companies shut down their foreign offices, especially in Southeast Asia, will be hired as school teachers, such as foreign language teachers or guidance counselors. The private sector component to encourage hiring focuses on subsidies to companies in "technetronic" industries, such as telecommunications, ecology, and biotechnology. It also offers personnel and funding help for venture businesses.

The British in Tokyo immediately attacked the government plan, saying that boosting competitiveness and saving jobs is contradictory. "If you want to protect jobs you have to sacrifice productivity and wage growth. What the Obuchi administration is trying to do is have its cake and eat it, too," said Andrew Shipley of Schroders Japan. "He's trying to generate the benefits of a restructuring and market-oriented policy without enduring any of the pain."

Ibero-America

Comex says Peru is in a 'depression'

Peru's exports of manufactured goods (textiles, chemicals, steel, and metallurgy) dropped 13% for the first quarter, imports of consumer goods dropped 29%, and consumption of durable consumer goods dropped 37%, Juan Francisco Raffo, the head of Comex, one of the country's two export associations, reported in June. For March alone, imports fell 24%. "These figures don't reflect a recession," Raffo said, "but a depression."

David Lemor, president of the Clothing Industry Commission at the National Society of Industry, reported that employment in this sector has dropped 50% since 1997, when the industry employed 550,000 families. Use of installed capacity has also declined 20-30%. Cement production, for example, dropped 17.7% in May, and 15.5% for the first five months of the year, compared to 1998. Central Bank figures for the first quarter show a 10.6% drop in internal demand, a 21.2% drop in imports, a 4.2% drop in private consumption, and a 27.7% drop in private investment. So far this year, 400 companies have filed for bankruptcy, because of high rates of indebtedness.