

Business Briefs

Eurasia

Land-Bridge gets boost, Russian press reports

"First Stone for a Euro-Asian Bridge," is the title of an article that appeared recently in the Russian government daily *Rossiyskaya Gazeta*. Written from Nizhny Novgorod and Moscow, it reported on a meeting of the ministers of transport of Russia, Kazakstan, and Belarus in Nizhny Novgorod, "on the revival of the overland trade route from Asia to Europe." The meeting resulted in "the signing of an agreement on the formation of a Europe-Belarus-Russia-Kazakstan-Southeast Asia land transport corridor," chiefly for transit of Asian freight by highway and rail through these countries.

Quoting Russian Minister of Transport Sergei Frank, the article emphasized the potential for job creation and revival of idle truck-producing factories, as well as revenues comparable to the \$3 billion per year that Iran earns from transit fees. Frank said that members of the Commonwealth of Independent States are "ordained by God, by virtue of their geographical location, to assume a substantial part of trans-Eurasian transportation," but they don't fulfill this role at present.

By October 1999, the group is to produce draft agreements on tariff coordination. Frank pointed out that "roads, terminals, and so forth" already exist, but "rolling stock . . . is another matter." Three-fourths of the entire truck fleet needs to be replaced in Ukraine, for example.

Finance

Nigeria imposes foreign exchange controls

Following the fall of foreign exchange reserves from \$7.1 billion to less than \$4 billion in six months, the Central Bank of Nigeria on June 21 introduced foreign exchange controls in order to defend the naira, the national currency. All commercial and merchant banks were told, that from June 23 on, every foreign exchange application will

have to be backed up by an investment in non-discountable treasury bills.

The Central Bank order reads, "Under this arrangement, any bank bidding for foreign exchange shall provide the initial cash backing while the amount demanded shall be collateralized 200% by treasury bills and held for a minimum of one month." The London *Financial Times* is quite unhappy about this development, and on June 22 quoted "business leaders and bankers" arguing that devaluation and deregulation should be the only answers to Nigeria's foreign exchange problems. The newspaper added, "They fear that failure to do so could jeopardize the chances of an early loan agreement between President Olusegun Obasanjo's new administration and the International Monetary Fund."

Economic Policy

World Bank's Stiglitz: Shock therapy failed

Joseph Stiglitz, the World Bank's chief economist, said that after years of so-called shock therapy, the East is worse off than in 1989, at the Annual World Bank Conference on Development Economics, in Paris. While such results have been clear for years, the admission by an institution involved in imposing such policy, is significant.

In a review of the "reforms" in the eastern Europe and the former Soviet Union, Stiglitz said, "The facts are jarring. Almost without exception, these countries have yet to return to their 1989 GDP levels, meaning on average, they are worse off today than before the transition to capitalism. More disturbing, we are seeing similarly dramatic downturns in social indicators. Life expectancies have fallen and for 18 of the 25 countries for which we have data, poverty has increased from 4% to 45% of the population."

"Among the countries of eastern Europe, early liberalization and overall growth exhibit no positive relationship, if anything, there appears to be a negative correlation," Stiglitz said, pointing out that after a brief period of short-lived growth, countries such as the Czech Republic that liberalized fast, are now suffering the weakest growth,

while countries such as Uzbekistan and Slovenia, "castigated a few short years ago for the slowness and incompleteness of their reforms," are performing relatively well.

Trade

India, Malaysia to use barter in rail deal

India's state-run rail construction firm, Ircon International, secured a \$124 million contract for a rail construction project in Malaysia, which will be paid for in palm oil shipments. The deal between Malaysia's KTM Bhd. and Ircon is India's first barter deal involving a construction project overseas.

Ircon will receive roughly 200,000 tons of palm oil over a two-year period in lieu of cash, for laying a 34 km rail track. India's annual purchase of palm oil from Southeast Asia, as of March 1999, was valued at \$706 million. The rail line will link Malaysia's new container port at Tanjung Pelepas with the main Malaysian Railway system.

Another Indian state-run firm, CMC India, has secured a 4.2 million rupee (more than \$100,000) project to computerize operations at Tanjung Pelepas. Both of the Indian firms will train Malaysian rail and port officials. Indonesia and Morocco have offered similar barter deals to Ircon in exchange for shipments of coal and phosphate.

China

Rail link to Tibet in latest national plan

A railroad to link Tibet with the rest of China will be included in the 10th Five-Year Plan for 2001-05 now being drafted in Beijing, Vice Chairman of the Tibet Autonomous Region government Mr. Nimaciren stated on June 23, the *South China Morning Post* reported. Nimaciren, responsible for the economy, said that the plan would "highly likely" include a rail line linking Tibet with other parts of China. To date, Tibet has no railroads at all. "Such a plan is of utmost impor-

tance to the development of Tibet," he said. "Tibet is the only place in China that is not linked up by railways. Such a deficiency has hindered the opening up of Tibet and discouraged foreign investment."

There are four design possibilities now under study which could connect Tibet with Qinghai, Yunnan, Sichuan, or Xinjiang provinces or regions. The project—which would mean an enormous engineering effort, to build a railroad up to the "Roof of the World"—would take 5-10 years to complete. Nimaciren said that construction would be costly and the working environment very difficult, and the rail line could at some points reach extremely high altitudes. However, he said, a rail link would be very important for the industrial development of Tibet. He said that Beijing is committed to improving Tibet's economy.

The central government had identified six priority areas for investment, including technology, transport, and energy. Tibet is receiving special assistance from Beijing in every area.

Nimaciren said that some projects in Tibet were not being built or used efficiently, including some small hydroelectric power stations. "It is true some of them have been left idle because of bad management, poor-quality construction, and insufficient technical back-up," he said. Greater supervision will be undertaken to ensure that investment in future projects would be better used. Efforts will also be stepped up to develop the raw materials industry, speed up construction, and improve poverty alleviation and medicine.

Investment

Germany, Iran to boost economic cooperation

The Iranian government expressed its wish for a "new flourishing" of German-Iranian economic ties, former German Economics Minister Jürgen Möllemann said about the trip of a high-ranking economic delegation to Tehran, in an interview with the June 26 daily *Die Welt*. Möllemann, representing the Federal Association of German Industry (BDI), headed the delegation, which included 30 top managers of German industry

and banks, including Siemens, Thyssen-Krupp, and Daimler-Benz.

Several projects were discussed, altogether amounting to an investment of more than 10 billion deutschmarks (more than \$6 billion). This includes the modernization of Iran's oil and gas industry, and the petrochemical sector. Iran is also interested in German cooperation in the transport sector, including road construction, enlargement of airports, and the delivery of airplanes and locomotives. Other areas discussed were telecommunications and local infrastructure, such as water processing.

Möllemann called upon the German government to upgrade the ranking of Iran in the state-run "Hermes" export-guarantee program, as necessary for boosting the German participation in the economic development of Iran.

The BDI released a statement on June 24, noting that the political obstacles between the two countries have all been removed, and that Iran's leadership wants a "decisive role" of German industry in Iran's new five-year plan, starting in the year 2000.

Central Asia

Form economic union, Nazarbayev urges

Central Asia, Russia, and China should form a Eurasian economic union, Kazakstan President Nursultan Nazarbayev said in a speech before the Salzburg summit of the World Economic Forum on June 30. He said that because of its geographic position, his own country could be a link between Europe and Asia. The Kazaks also have good relations to Russia and China, and to other Central Asian states, including Tajikistan, Uzbekistan, and Kyrgyzstan, with which Kazakstan already maintains close cooperation, he said.

Nazarbayev said that the Russian crisis since last August has badly damaged the Kazak economy, which has been a traditional exporter of raw materials to Russia. Apart from pipeline projects, the government of Kazakstan is also focusing on the modernization of the transport infrastructure, to improve conditions for industrial investments from abroad, he said.

ITALY "will not be able to stay in the euro" if it fails to cut labor costs and fight inflation, stated Romano Prodi, upcoming president of the European Commission, the June 22 London *Financial Times* reported. An economist at Barclays Capital was quoted: "This is the first time a senior European official has publicly mentioned the prospect of a country withdrawing from the euro."

SOUTH AFRICAN Development Community executive secretary Kaire Mbuende called on the Group of Seven industrialized countries to cancel the debt of the SADC nations. "In addition to Mozambique," he said, "Malawi, Tanzania, Zambia, and Zimbabwe currently spend about 80% of their gross domestic product each on debt servicing annually. Debt is too harmful to the poorest of our communities. Therefore, I am appealing for total debt write-off for these four countries."

CROATIA is being told to stop wage wage increases by the International Monetary Fund, as a condition for a \$200 million IMF standby loan. Earlier this year, the Croatian government agreed to a 12% wage increase for public sector workers. The economy is facing recession, with capital flows disrupted because of the Yugoslav crisis.

'ECONOMIC SECURITY is integral to national security," Lockheed Martin executive Thomas A. Corcoran said, in testimony on June 24 before a U.S. Senate Foreign Relations Committee panel. He urged that U.S. export policies be "transparent and predictable" for U.S. firms to be able to compete for international business.

THE BELARUS banking system is "on the verge of collapse," Belarus Central Bank head Pyotr Prokopovich told the Parliament on June 25. He said that the collapse of the banking system had only been prevented so far by the Central Bank's money-printing efforts, which the central bank could not continue to do.