

# Business Briefs

## ***Southeast Asia***

### **Cambodia, Laos, Vietnam improve economic ties**

Laotian Prime Minister Sisavath Keobounphanh, Cambodian Prime Minister Hun Sen, and Vietnamese Prime Minister Phan Van Khai met in Vientiane, Laos on Oct. 20, to discuss joint economic cooperation, and joint efforts to clamp down on cross-border drug and other illicit trafficking and border disputes. This is the first summit of its kind since all three countries joined the Association of Southeast Asian Nations (ASEAN). In its Oct. 22 broadcast, Cambodian state television described the discussions as the launch of a "development triangle."

The three leaders went to great lengths to keep the meeting low-profile, to avoid provoking concerns by other ASEAN members that they are creating a bloc within the association. The meeting was not reported in official media, nor was any agenda made public. Hun Sen first proposed the idea at the 1995 ASEAN summit in Bangkok, which the three states attended as observers.

The Laotian Prime Minister announced on Oct. 21 that the three agreed to "promote traditional friendship," including expanded international and border trade using local currencies, plans for a joint power grid, and extension of the east-west trans-Asian Highway, by extending Laos Highway 13, via Cambodia's Strung Treng, to Vietnam's Ho Chi Minh city. Agreement was also reached on increased aviation and telecommunications links, and cooperation in agriculture, forestry, the environment, education, and public health training.

## ***Asia***

### **North Korea opening to trade relations**

Following talks in Berlin with the United States, the North Korean government is sending out signals of a willingness to improve ties with many of its neighbors, the Oct. 31 *Washington Post* reported. The president of Hyundai recently travelled with a delegation to Pyongyang, the North Korean

capital, to meet with top North Korean officials about plans to build a Hyundai factory and an industrial park in the north, near the border. The Japanese government is preparing to send a delegation, led by a former prime minister, to discuss trade openings. Charter flights between Japan and North Korea are also expected to resume soon. And, the chairman of the U.S. Chamber of Commerce in South Korea is planning to lead a business delegation to the North, to discuss investments.

Meanwhile, Russian Foreign Minister Igor Ivanov is scheduled to visit North Korea on Nov. 8-11, to sign a new cooperation treaty which will emphasize trade and exclude a military alliance. The new treaty will replace the one signed just after the Korean War, which stated that Russia would back North Korea militarily in the event of a war. Ivanov's trip to North Korea will be the first by a Russian Foreign Minister since that of then-Soviet Foreign Minister Eduard Shevardnadze in 1990.

## ***Biological Holocaust***

### **Asia's economic crisis fosters spread of AIDS**

Peter Piot, executive director of UNAIDS, the UN agency dealing with AIDS, warned that Asia's economic crisis is fostering the spread of the AIDS epidemic, at the Fifth International Congress on AIDS in Asia and the Pacific, in Kuala Lumpur, Malaysia, on Oct. 23-27. China's *People's Daily* reported on Oct. 25. The spread of AIDS in Asia is associated with migration and prostitution, "where things could get worse because of the economic crisis," he said. Cash shortages could hit care in the family, reduce budgets for prevention programs, force hospitals to ration care, and make drugs too expensive. "We are still at the very beginning of the AIDS-HIV epidemic in Asia and the Pacific. . . . There is no room for complacency."

Piot said that the cost of drugs for treatment must be reduced, possibly by compulsory licensing of drugs in poor countries. Some speakers estimated that 7 million people in the region are HIV-positive, and the vast majority do not know it. A UNAIDS report says that HIV infections in the region

increased 70% during 1996-98, making Asia the region with the fastest growth of the infection.

Malaysian Prime Minister Dr. Mahathir bin Mohamad called for a summit of Asian nations, to "show leadership in the region and within our own countries, and underline the seriousness of the epidemic and the need for urgent action to combat it," in the opening address to the congress on Oct. 24. He said that the necessary political will, because governments set policy and facilitate the implementation of policy, would ensure that adequate budgets are directed at effective prevention programs, and that all sectors of society, including non-governmental organizations, businesses, religious bodies, and schools, must play a part in fighting AIDS and HIV infection.

"An effective government is one that understands that the virus recognizes no borders, and therefore it is imperative that governments cooperate with each other to fight the virus," Mahathir said. There must be overall cooperation to address the issues of cross-border movement of people, migrant workers, and the trafficking of women and children.

## ***Stock Market***

### **Dow becoming ever more post-industrial**

Dow Jones & Co., publisher of the *Wall Street Journal* and keeper of the Dow Jones stock indices, on Oct. 26 announced changes in the composition of the Dow Jones Industrial Average. Effective Nov. 1, four companies, Union Carbide, Chevron, Goodyear Tire & Rubber, and Sears Roebuck, all of which have been in the Dow since at least 1930, will be dropped, and replaced by Microsoft, Intel, SBC Communications (nee Southwestern Bell, which has gobbled up two other Baby Bells), and Home Depot.

The Dow was last changed in March 1997, when Bethlehem Steel, Texaco, Westinghouse, and Woolworth were replaced by Hewlett-Packard, Johnson & Johnson, Travelers Group (now Citigroup), and Wal-Mart. In 1991, J.P. Morgan and Disney were added, with Disney replacing U.S. Steel.

With the new changes, the Dow Industri-

**THAILAND** and Malaysia, the world's leading producers of rubber, have withdrawn from the International Natural Rubber Organization, which will effectively collapse the 20-year-old cartel. Both nations have denounced the INRO as a European-dominated organization that has failed to sustain a reasonable price for rubber, which is at a 30-year low, to the benefit of consumer nations in the West. Indonesia is considering whether to follow suit.

**INDONESIAN** debt, by the end of this year, will have almost tripled since March 1998, rising to \$136 billion, the Oct. 29 *International Herald Tribune* reported. Indonesian debt is now the equivalent of 110% of annual GDP, up from 26% three years ago.

**THE BRITISH FARM** crisis is getting worse. The Oct. 27 London *Sunday Telegraph* quoted one reverend: "In the hill farms the situation is horrific. We are seeing young men being driven to suicide because they can see nothing in return for their efforts. . . . A lot of people are struggling — and it's the young ones who are going under, the 30- and 40-year-olds, the next generation of farmers. It's all very worrying."

**THE EGYPTIAN** government agreed on Oct. 25 to a project to establish the first Chinese industrial city in the Middle East, 25 kilometers south of Cairo. Initial investment will be £200 million, and the city will include 30 factories and a specialized center for technology; 50% of production is expected to be exported. The project is to be completed in 2002.

**ITALIAN** companies are set to expand their activities in Iran. The board of directors of Italy's State Insurance Company has revoked the need for Iran to guarantee oil deliveries in order to provide insurance for large projects involving Italian investments, the Central Bank of Iran reported.

als will be: Alcoa, AlliedSignal, American Express, AT&T, Boeing, Caterpillar, Citigroup, Coca-Cola, Disney, Du Pont, Eastman Kodak, Exxon, General Electric, General Motors, Hewlett-Packard, Home Depot, Intel, IBM, International Paper, Johnson & Johnson, McDonald's, Merck, Microsoft, Minnesota Mining & Manufacturing (3M), J.P. Morgan, Philip Morris, Procter & Gamble, SBC Communications, United Technologies, and Wal-Mart.

Meanwhile, British, French, German, and Dutch firms are on a buying spree in the United States, according to an Oct. 26 Dow Jones wire entitled "New York: The British are coming, the British are coming." "All told, foreign companies announced an astonishing \$256 billion in U.S. purchases during the first nine months of this year — more than double the \$121.9 billion value of U.S. buy-outs of foreign entities," the report states. "The volume of foreign takeovers already has topped the previous record set for all of last year, and is four times 1997's volume, according to J.P. Morgan."

## ***Economic Cooperation***

### **Africa, Asia should boost economic ties**

Dr. Essop Prahad, Minister in the Office of South Africa's President, said that South Africa and Malaysia should lead in "practical acceleration" of Asia-Africa economic cooperation, in a speech to the Asia Africa Business Forum in Kuala Lumpur, Malaysia, Bernama news agency reported on Oct. 28.

Dr. Prahad said that such cooperation must move beyond mere concepts, pointing to the untapped potential for investment in Africa, especially in critical areas such as infrastructure. It is becoming a pertinent requirement for South-South countries to find ways to come together to discuss fundamental issues affecting the world economy, he said, adding that if major South countries, such as China, India, and Malaysia, were to sit down and work together, the impact on global development would be much greater.

Key issues that should be addressed include the debt of the poorest countries and

global monetary reform, he said. He hailed Malaysia as a "front-runner on the question of small and medium-scale countries in determining their own exchange rates," which has provided South-South countries with plenty to discuss. Dr. Prahad said that South Africa and Malaysia shared common positions on major world issues at the recent Commonwealth meeting in Durban, but "we will deal with internal issues from our own perspective."

## ***India***

### **President downplays importance of free trade**

The Indian government wants to achieve 7-8% economic growth, President K.R. Narayanan stated on Oct. 21, *The Hindu* reported. "The nation's re-oriented strategy of development will have to rest on a triad in which the government provides a strong policy and regulatory leadership; the private sector brings dynamism and efficiency of competitive environment, and . . . the civil society brings enthusiastic participation by the people," he said.

Narayanan stated that the "free market" should not be considered an economic panacea. "We cannot produce a dogma like 'free market' suited for every period in world history," he said. "There may be periods in the future where the state may have to play a role in protecting the economic interests of people."

Government policy includes an accelerated time-frame for dismantling the administered price regime, setting up a task force for tax reforms, allowing the private sector in coal, a new civil aviation policy, an integrated transport policy, a new health policy, setting up a Railway Reforms Commission, corporatization of the department of telecommunications and state electricity boards, and setting up of a Expenditure Commission.

The task force on tax reforms will be constituted to recommend a time-bound schedule of reforms in both direct and indirect tax structures. The Railway Reforms Commission will rationalize tariffs, evolve a new resource mobilization strategy, prioritize projects, and suggest measures to improve safety.