

Business Briefs

Economic Policy

IMF Blamed for Asian Financial Crisis

The International Monetary Fund (IMF) triggered the Asian financial crisis in 1997, stated Joseph Stiglitz, former World Bank chief economist, in an interview with the German daily *Die Welt* on Sept. 24. Stiglitz noted that the IMF has recently changed its rhetoric, as it now admits that too rapid a liberalization of capital markets might cause problems. However, as soon as IMF teams arrive in any country in the world, they still insist on exactly this liberalization process. "We have to remember that the primary cause for the crisis in Southeast Asia in 1997 was the IMF with its call for the liberalization of capital markets in Indonesia, Thailand, and South Korea. Instead of preventing the crisis, the IMF triggered it," he said.

The IMF now admits that it only made things worse in Indonesia with its crisis management, and that it did not take into account the risk of contagion. "There can be absolutely no doubt that the IMF has worsened the situation. The country that managed to be the first to get out of the crisis was Malaysia. Why? Because it never had an IMF program, it had the smallest debt, and it had capital market restrictions. The shining example, Thailand, which followed every IMF proposal, is today in the worst situation and still has a smaller gross domestic product than in 1997," Stiglitz said.

Advanced Technology

China Said Ready To Start Maglev Route

Construction of a magnetically levitated rail route, using the German Transrapid system, will begin in Shanghai in January 2001, according to the Sept. 25 German financial daily *Handelsblatt*. On Sept. 24, a high-ranking German business delegation arrived in Shanghai to discuss details about the project, which has now been "definitely approved" by the Chinese government. On Nov. 20, the feasibility study on the 35 kilometer route

from the new Shanghai airport to downtown will be published, and on Dec. 15, there will be a ceremony in Beijing's Great Hall of the People to celebrate the signing of the 2 billion deutschemark project.

The businessmen said that they are astonished about "the speed with which the Chinese are pushing this." One-third of the project will be financed by the recently formed joint venture that will run the Shanghai Transrapid, one-third will come from Chinese public banks, and most of the remaining will be financed by the German Credit Reconstruction Agency.

Business leaders from the Transrapid consortium (which includes Thyssen-Krupp, Siemens, and Daimler-Chrysler) emphasize that, according to a study by the Chinese Railway Ministry, China is planning to double its rail mileage by 2050, from 60,000 to 120,000 km. About 8,000 km of the new lines will be high-speed.

Future projects, based on either German or Japanese maglev technology or the French high-speed TGV, are the routes Beijing and Shanghai in China, Tokyo and Osaka in Japan, and an intra-Hong Kong route. Negotiations have started for a Transrapid route between the Beijing and Tianjin airports.

Economic Strategy

Indonesia, Philippines Get Calls for Controls

The surge in oil prices has fuelled a new round of calls from legislators for a return to sanity in monetary policy in the Philippines and Indonesia.

In his Sept. 23 column in the *Manila Times*, radio talk-show host Herman "Mentong" Laurel reports that Sens. Raul Roco and Aquilino Pimentel are calling for a round-table discussion on currency controls.

In Indonesia, former Finance Minister Fuad Bawazier and respected PDI-P economist and former Economic Coordinating Minister Kwik Kian Gie have urged the Wahid government to revisit the possibility of using currency controls. On Sept. 18, during a seminar at Universitas Nusantara, Kwik, who supported currency controls during the worst phase of the Asian crisis in

1997-99, urged the government to curb the inflation rate, lower interest rates, and adopt a fixed-exchange-rate system, which three-point plan, he said, would help to stimulate small and medium-sized firms.

Kwik said, "The government needs to enact several rules and laws to prevent the economy from going into free-fall liberalism, which will only lead to the strong becoming stronger and put pressure on small businesses." Government should focus on labor-oriented policies, he said, pointing out that foreign reserves could be boosted through promotion of agriculture, plantations, forestry, fishing, cooperatives, and mining. Kwik added that "the decisive factor for successful economic recovery is stability in the social and political situation as well as law enforcement."

Infrastructure

Plan Submitted for Seoul-Inchon Canal

A plan has been submitted to the South Korean Ministry of Construction and Transportation, for constructing a canal to link the capital Seoul to Incheon, on Korea's southwest coast, the South Korean daily *Chosun Ilbo* reported on Sept. 27. If approved, work will begin by year-end, after an environmental impact study. Environmentalists are opposing the canal.

Supporters say that the canal would be the equivalent of a six-lane highway, able to transport 48 million tons of cargo a year. A ministry official said that the canal would link Seoul directly to the West Sea, China, North Korea, and Southeast Asia.

It is estimated that the completed canal would save 3.5634 trillion won (about \$3.2 billion) in transportation costs annually, and would provide other benefits, including easing traffic congestion and increasing flood control and land reclamation. The benefits would be twice the cost of building the canal.

According to the plan, first-stage construction, during 2000-04, would include dredging the 18 kilometer canal, installing three gates, and building three wharfs. The second stage (2009-12) would see the addition of six wharfs and two gates. According

to the ministry, the total cost of the canal will be 1.8429 trillion won, of which only 432.8 billion will come from public funds.

China

Nation Not Ready for Challenges of WTO

China is unprepared for the challenges of entering the World Trade Organization (WTO). Lu Zhiqiang, Deputy Director of the Development Research Center under the State Council, said in an interview with *China Daily* Sept. 18.

Lu said that specific preparations by local governments, industrial administrations, and enterprises are inadequate. "As far as I know, few serious studies have ever been conducted about relevant laws on foreign trade, overseas investment, and rules and regulations of the WTO, so that Chinese firms can meet challenges while undertaking their obligations."

"Solid and down-to-earth preparatory work is scarce, although officials and entrepreneurs have long been crying wolf," Lu stated. He said that central government departments have a clear understanding about the upcoming impact of economic globalization. Lu said that the urgent issues for China, are economic security and management of its industries, not by central planning, but by market economy rules.

He said that part of the blame lies with domestic firms' dependence on the government. Due to a lack of direct competition from powerful foreign counterparts, Chinese firms do not realize the urgency of finding ways to tackle the growing trend of economic globalization, Lu said. He said he feared that some firms will face bankruptcy because of backward technology and outdated management, even without competition from foreign firms.

Lu said the Chinese government and industrial administrations must upgrade industrial structures, to try to safeguard China's economic security. However, he said, only lifeline industries that are fundamental to the maintenance of national interests and economic sovereignty should be protected.

He warned about risks brought by an in-

flux of multinational companies into China, despite the huge contribution they have made to China's modernization drive, and said that limitations should be placed on multinationals' access to some vital industrial sectors. Multinationals, he said, without efficient regulation, are likely to increase the danger of the market going out of control.

Natural Gas

Major Find Near Gaza Could Aid Palestinians

BG International, formerly British Gas, has found a very substantial gas field off the coast of the Gaza Strip, which could make a future Palestinian state a gas exporter, the Sept. 28 *International Herald Tribune* reported.

Palestinian President Yasser Arafat commented that this will provide "a strong foundation for a Palestinian state . . . this gift from God to our people, to our children, to our women, to our people inside and outside, to our refugees and those who are living here on our land." He made these comments while giving the signal to the drilling crew to light the flare stack atop the floating platform. Arafat then quoted from the Koran about the divine promise that the weak and dispossessed of today will become the "leaders and heirs" of the future.

The well, which is flowing at 73 million cubic feet a day, is larger than any of the eight wells that have been drilled in Israeli territorial waters. The discovery is expected to make the Palestinian National Authority energy independent for electricity generation, which is particularly useful for desalination. They will most likely have a surplus, which could be exported to Israel. The infrastructure needed to exploit the gas will take another three years to build.

The Israeli right wing is angry at Israeli Prime Minister Ehud Barak for allowing the exploration to go forward, given the absence of a peace treaty. A month ago, the Israeli gas firm Yam Thetis petitioned the Israeli High Court, demanding that BG international not be allowed to drill.

Briefly

'THE CHINESE are looking for a major partnership with India in software," because they are lagging behind India in this field, Vivek Singhal, chairman of the Electronics and Computer Software Export Promotion Council of India, said at a press conference in Dubai on Sept. 26. Singhal said that a number of Chinese delegations have visited India recently to see the progress made by Indian firms.

SOUTH KOREA'S government ordered big tax increases on Sept. 26, to compensate for deficits resulting from economic reform. The tax-burden-to-GDP ratio will increase to 20.7% in 2001, up from 18.7% in 2000, and average tax payments per person will rise 20.6% year-on-year to 2.51 million won (\$2,260), according to the Korean Finance and Economics Ministry.

SINGAPORE ordered all daycare, pre-school, and kindergartens shut down, following three deaths from hand, foot, and mouth disease, Associated Press reported on Sept. 30. Since mid-September, 363 cases of the disease had been reported, prompting the public health alert.

THE U.S. INSTITUTE of Medicine is calling for widespread HIV surveillance studies in the United States, in order to get a truer picture of the scope of the epidemic. The institute notes that the Centers for Disease Control in Atlanta, Georgia, based on extrapolations of the number of Army recruits testing positive, has reported the same number of new infections (40,000 per year) for each of the last 14 years.

INDONESIA now has around 1 million internally displaced people, including an estimated half-million in Maluku and 130,000 East Timorese living in West Timor, driven from their homes by religious and communal conflicts, separatist struggles, and natural disasters, the Indonesian Red Cross said on Sept. 26. One Red Cross official said that Jakarta needs to set up a national commission on refugees.