Business Briefs

Cooperation

New Eurasian Economic Community Is Formed

The Presidents of Russia, Belarus, Kazakstan, Kyrgyzstan, and Tajikistan created the "Eurasian Economic Community," at a summit in Astana, Kazakstan, on Oct. 10 The accord had been proposed by Kazak President Nursultan Nazarbayev. It will work toward the creation of common policies on taxes, employment, currencies, and customs tariffs, and will have its own institutions, staff, and budget, a Kazak Presidential spokesman said.

Russian Prime Minister Mikhail Kasyanov said on Oct. 6 at the meeting: "In the new century, we are headed for a new level of integration and this agreement proposes a widening of all aspects of cooperation."

In the new organization, customs duties will be decided on a bilateral basis among member-states. This will replace the non-functioning 1996 "customs union" of these states, which had tried to create a "single economic space," but never functioned because Russia had not ratified an accord on a free-trade zone. Also, in August, Russia had announced that it was withdrawing from a visa-free travel agreement with other members of the Commonwealth of Independent States. Kasyanov said that Russia would consider signing either a joint or bilateral agreement on visa-free travel with its customs union partners.

Africa

'The Problem Is Poverty,' Says De Klerk

Former South African President F.W. De Klerk said that he did not agree with the generalization that Sub-Saharan Africa does not have a future, speaking at a conference in Prague, the South African press reported on Oct. 16. "What Africa needs is a fair break from the rest of the world," he said, "a fair break with its crippling debt, and a fair break with access to First World markets and First World investment."

De Klerk acknowledged that some states are lagging behind, but that this was not because they were African, but because they were "desperately poor."

De Klerk addressed the Forum 2000 Conference on whether there was a future for Sub-Saharan Africa. "The problem is poverty—not Africa," he concluded.

Nuclear Energy

Exports Help Russia's Machine-Building Firms

On Oct. 11, Russian Minister of Atomic Energy Yevgeni Adamov, who accompanied President Vladimir Putin on his Oct. 3-6 visit to India, announced that four major St. Petersburg machine-building plants—Leningrad Metal Plant (LMZ), Electrosila, Izhory Works, and the Central Construction Bureau of Machinebuilding (CKBM)—will participate in the construction of at least six power units for nuclear plants in China (Tieng Wang), Iran (Busher), and India (Kudan-Qulam). This work is scheduled over six years, and is projected to generate $1.4 billion in business.

There is rumored competition from the German Siemens firm emerging over Busher, if the United States promotes improved relations between the West and Iran. The chief of Siemens Nuclear Power's corporate relations department, however, told the Russian newspaper *Vedomosti* that his firm will participate in an auxiliary role only in the Tieng Wang project, and has no plans in the nuclear field with Iran or India. (Siemens is a co-owner of Electrosila; until 1999, it also had a stake in LMZ, but sold it to Interros Group.)

The Atomic Energy Ministry also said that it intends, despite attacks from Greenpeace and its domestic sidekicks, to continue the development of Russia's nuclear energy facilities, including completing construction of the first energy unit of the Rostov nuclear plant. The Ministry also plans to construct new energy units at the Kalinin (Tver) and Kursk nuclear plants. Beginning in 2005, Adamov said, "We are going to build one energy unit per year."

Adamov reiterated his plan to set up a unified power-generating company, including the eight nuclear power plants subordinate to Rosenergoatom Concern, along with the (formally independent) Leningrad nuclear plant. The firm should "integrate all the resources of this branch of industry," and invest them in construction of new and modernization of existing energy units, he said. Before the end of this year, the Ministry will introduce to the government its proposal for the reform of the nuclear power industry.

Yugoslavia

Foreign Funds Needed To Stabilize Economy

At least $625 million is needed just to stabilize the Yugoslav economy, Vladimir Gligorow of the Vienna Institute for Comparative International Economic Studies (WIIW), and a member of the G-17 group of economists tied to Yugoslav President Vojislav Kostunica, told the Oct. 20 *Financial Times Deutschland*.

According to the WIIW, Yugoslavia's Gross National Product in 1999 amounted to only 30% of the GNP of 1989; average per-capita annual income was $880. Unemployment is 40%, and inflation 50%. In mid-October, the dinar, Yugoslavia's currency, was devalued 33%, with the official rate still twice as high as the black market rate.

Many people survive only because they get money sent by their relatives abroad, which is estimated to be roughly $160 million. The situation is said to be much worse than expected. Government emergency food warehouses are vacant, oil reserves are dry, and bank accounts empty.

If Yugoslavia is to get through the Winter, more than $300 million in aid is needed, in addition to the aid granted by the European Union during its summit in Biarritz ($200 million)—which still has to clear many bureaucratic hurdles, in order to arrive before Christmas. But, Reuters quotes UN Balkans envoy Carl Bildt as saying: "We are not interested in making a Third World economy dependent on hand-outs." Instead, he is favoring "direct corporate investment."

Meanwhile, the Danube Commission, the body appointed by Danube Valley nations to handle transport on the river, has agreed to appoint French engineer Bernard Genevet project director for the clean-up of Kosovo war debris, to make the river navigable again. Genevet was director of French public infrastructure projects. His appointment clears away one of the major administrative blocks for the project. The EU Commission has agreed to give 22 million euros for the clean-up, and another 4 million will come from member nations Germany, Austria, Ukraine, and the Netherlands. The chairman of the commission estimates that shipping could be resumed by Summer 2001.

Credit

Bankers Cut Off Funds, Killing German Industry

A credit embargo by private banks is threatening the survival of German machinery producers, Diether Klingelnberg, vice president of the Association of German Machinery Producers (VDMA), charged at a press conference in Berlin on Oct. 18. All loans are flowing into "New Economy" firms, whose soundness, let alone profitability, is far from a sure thing. Bankers will, sooner or later, have a rude awakening, when it becomes obvious that many New Economy ventures have produced nothing but losses.

Bankers are "capping the lifeline of the capital-goods industry," Klingelnberg said. "Without the financing from bank credits, the *Mittelstand* [small and medium-sized industry] structure of our sector and thereby also the extraordinary position on world markets, in particular of the many small companies, is threatened. We therefore call on the banks, not to give up their role as long-term partner and creditor of our sector, just to seek short-term excessive profits." He said that in spite of all the talk about the New Economy, "industry remains the backbone of the German economy."

The *Mittelstand* firms are being told to look for alternative financing, but all three so-called alternatives, Klingelnberg said, don't work. First, they are being told to go public and issue stock. However, those few machine-building firms which have gone to the stock market are not happy about it, and some are planning to withdraw. If you go public, he explained, you are forced to keep investors enthusiastic by announcing "simplistic business ideas" and "skyrocketing" turnover expectations. Of the 3,000 VDMA member firms, fewer than 5% are planning to go public in the medium-term future. Second, is issuing corporate bonds. However, the usual minimum amount of bond issue is far greater than what *Mittelstand* firms need. Third, is to seek venture capital. But venture-capital funds are oriented toward "short-term success," and usually intervene directly in the business decisions of the companies.

Infrastructure

Trans-Asia Railroad Completion Nears

The Trans-Asia Railroad should be completed within 2002, the Thai News Agency reported on Oct. 16. The railroad will link Singapore, Malaysia, Thailand, Laos, Myanmar, Cambodia, Vietnam, and Kunming, in southern China. Many of the rail lines already exist, but must be connected.

The head of the State Railway of Thailand, Saravuth Thammasir, said that the State Railway had been approved to help the Cambodian state railway study the feasibility of repairing the 48-kilometer Poipet-Sisophon rail line, which would be part of the projected 5,500-kilometer main route, running through Singapore, Thailand, Cambodia, Vietnam, and Kunming.

Thailand, Malaysia, and Singapore are already linked by rail. Laos has a plan to build a rail line from Kunming, China, to the Lao capital, Vientiane, through Thailand's northeastern province of Nong Khai.

Association of Southeast Asian Nations (ASEAN) transport ministers met in Brunei recently, and they approved the feasibility of the main line. Its branches will connect to central Vietnam, Bangkok, and the Myanmar capital, Yangon. Building the rail links will cost about $2.5 billion, and the leading provider of capital is the Asian Development Bank.

Briefly

TEXACO was acquired by Chevron for $43 billion, it was announced on Oct. 16. It will be the fourth-largest oil firm in the world. Initial estimates of job cuts are in the range of 4,000, out of a worldwide workforce of about 57,000. This, it is claimed, will provide $1.2 billion in annual cost savings.

KAZAKSTAN has moved to settle its multimillion-dollar debt dispute with the Russian national power grid, Unified Energy Systems. UES chief Anatoly Chubais has created a joint venture with the Kazak-owned Ekibastuz coal mine to exploit a high-voltage transmission power line to link European and Asian Russia. The new firm, Ekibastuz Power Station-2, will, within months, supply some 500 megawatts of electricity, which is 10-15% of the region's needs.

CHINESE Prime Minister Zhu Rongji rode on Japan's magnetically levitated (maglev) train, a prototype system under development. "It was good," Zhu said of the ride, which hit a top speed of 280 miles per hour during a 20-minute trip in Yamanashi, west of Tokyo. "But there was more noise and vibration inside the tunnel" than when he rode the German maglev, he said.

RUSSIANS living below the poverty level make up one-third of the population, or 50 million people, says Nataliya Ryumashevskaya, director of the Institute for Social and Economic Problems of the Russian Population, Prime-Tass news agency reported on Oct. 17. More than half of the children are growing up in poor families, she said.

OIL PRICES are not set by OPEC, the Oct. 16 *Wall Street Journal* admitted. The big oil firms shut down their tanker-tracking war rooms in 1985, when prices crashed, and "at about the same time, OPEC switched to controlling production, handing over the role of setting of prices to the futures markets that had been launched only a few years earlier in London and New York."