Business Briefs

Central Asia

German President boosts the 'New Silk Road'

German President Roman Herzog promoted the "New Silk Road," otherwise known as the Eurasian Land-Bridge project, during a visit to Kyrgyzstan on Feb. 1-3. At an official dinner with Kyrgyzstan President Askar Akayev in Bishkek, the capital, on Feb. 1, Herzog spoke of the "chance that the peoples of Central Asia have today, to overcome the experiences of the so-called 'great game,' which once made them pawns on the chess-board of rival imperial powers." Reviving the Silk Road enables the peoples of Central Asia to cooperate with one another, he said.

"The Silk Road was an early and perfect model of transnational communication, indeed. To this day, it shows how cross-border transportation systems can be coupled with cultural identity and regional self-consciousness," Herzog said. "But the Silk Road never was just a route of trade. It also always was a link between the cultures, and a mediator between East and West, North and South. . . . And it shall be the same, today, again. The new projects for the Silk Road are enthusing politicians, tourists, investors, and transport planners—and justifiably so."

Banking

Czech system faces new threat of collapse

If the Japanese securities firm Nomura, which is in trouble in Japan, pulls out, the Czech banking privatization will fail, and the Czech banking sector will fall into a new round of collapse, a researcher at the Vienna Institute of International Comparative Economic Studies told *EIR* on Feb. 2. The big privatization project, the announcement of which helped to halt the banking collapse last year, depends almost entirely on Nomura's good will.

In addition, a bigger scandal is now unravelling in the Czech republic, after it was discovered that during the reign of free trade fanatic, former Prime Minister Vaclav Klaus, no less than several hundred million dollars (several tens of billions of Czech crowns) simply "evaporated" from the state budget. It is not clear where this money ended up. The party funding scandal that erupted last autumn, that ushered in the end of the Klaus era, is peanuts, compared to this new affair. The population of the Czech Republic is very angry about this affair, and it will provide additional grist for the Social Democrats, who are expected to take over the government after elections in June.

Finance

Singapore reform will worsen Asian bubble

The government-appointed committee of leading bankers assigned to overhaul Singapore's financial sector operations, released a 40-page preliminary report on Feb. 2, the *Straits Times* reported. The report outlines 55 recommendations covering fund management, treasury/risk management, equities markets, general debt issuance, corporate finance/venture capital, insurance and reinsurance, and cross-border electronic banking. If implemented, the so-called reforms would fuel speculation and exacerbate the global financial crisis.

The proposal reflects a generational shift in the management of the island enclave. Singapore has been under intense pressure "to get with the program" of the "virtual economy" maniacs in London, Wall Street, and the predatory funds. Currently, financial services account for 11% of Singapore's GNP, and this proportion has been growing 7% per annum over the last four years. But, up to now, its focus has been as a leading commodities and oil-trading center, the leading regional port, and regional bank center, second only to Hong Kong.

Committee Chairman Peter Seah, president of Overseas Union Bank, one of Singapore's big four banks, said that the two most "radical" proposals include privatization of pension funds, outside of the current mandatory savings with the Central Provident Fund, and expansion of derivatives trading. The first item in the list of proposals is to place 20% of public sector funds under private fund management within three years, while scrapping the requirement that the funds guarantee the principal so invested.

Other proposals include allowing multiple initial public offering share applications; permitting share buy-backs by listed firms; establishing a Singapore stock index; increasing stock options to hold on to prime personnel; giving tax breaks for investing in "growth areas" of capital markets, such as debt, specialized project finance, cross-border leasing, debt distribution, and venture capital; and raising investment limits on insurance funds to 50% for equities, 50% for foreign assets, and 30% for property shares (current limits are 35, 30, and 20%, respectively).

Middle East

Arab official: Return speculative investments

The president of the United Arab Emirates' Dubai-based Chamber of Commerce, Saeed Juma al Naboodah, has called for the repatriation of the $800 billion of Arab, primarily Gulf states' investment in non-Arab speculative ventures. "What really puzzles the mind is the lack of concern and seriousness in addressing this issue, although it is a core one for the Gulf economy and vital for the Arab world," Al Naboodah said in the chamber's magazine, *Trade and Industry*. The "lack of concern and seriousness" in encouraging the return of this investment abroad, was strongly criticized, the magazine commented.

"Addressing the issue of the Gulf funds which are invested heavily in Europe and the U.S., is not new. The crises and catastrophes which those funds face as a result of speculation in global financial markets, and other reasons, are well known," Al Naboodah said, "The estimated $600-800 billion invested outside the GCC [Gulf Coordination Council] countries and the Arab world is not confidential."

Al Naboodah proposed that Gulf projects

be financed with Gulf money, as an instrument of "direct support of the GCC population, accumulation of its experience, and development of its capabilities. We have to admit that there is no justification for the intensive outflow of capital, if we consider the interest of foreign funds in our region. There is no doubt that the foreign investment target in the first place, is to gain profits—but not to develop the Gulf or transfer technology to the region."

The magazine quoted the chairman of the Beirut-based Union of Arab Banks, Mahmud Abdul Aziz, saying that several billions of Arab funds have returned "home" over the last six years; that about $75 billion in overseas assets found its way back to Egypt, since its reforms in 1991; and, that $200 billion has been brought back to Arab countries since the 1991 Gulf War. Abdul Aziz said that a joint Arab bank, with an authorized capital of $400 million, has been proposed to finance inter-Arab trade and investment.

South Asia

Bangladesh may sell surplus gas to India

Bangladesh will consider selling surplus natural gas to India, once it has built up sufficient production to satisfy its own domestic needs, according to Farooq Sobhan, the new chairman of the country's Board of Investment, the London *Financial Times* reported on Feb. 6.

Bangladesh's gas reserves are believed to be bigger than Qatar's offshore fields. But successful exploitation depends on secure export markets amid lingering concerns that Bangladesh will remain reluctant for political reasons to sanction sales to India.

Sobhan said that any decision on exports would be taken on purely commercial grounds. The government is already looking at a range of options for dealing with surplus gas, including power generation for export, production of urea fertilizer, and a natural gas liquefaction plant. "Within that framework, we would certainly look at the prospect of exporting gas to India," he said. He said that long-delayed licenses to gas companies to exploit and develop Bangladesh's fields would be awarded in February.

Sobhan said that Bangladesh is making a big effort to improve its infrastructure. It will install an additional 700 megawatts of electrical capacity this year, by commissioning generating units moored on barges, and is negotiating several highway and transport projects, on a build-operate-transfer basis. These include a new highway from Dhaka to the port of Chittagong, and new container terminals.

Petroleum

Gazprom, Malaysia will stick to Iranian deal

Officials for the Russian firm Gazprom and the Malaysian government stated in early February that they will not be deterred from participating in the Iranian South Pars oil project, despite threats from the United States to impose sanctions according to the Iran-Libya Sanctions Act.

Speaking for Gazprom, Dmitry Dankin said, "We will take part in the South Pars project, because it does not break any laws—Russian, Iranian, or French." He added that it would be the Americans who would lose if sanctions were imposed. Dankin also stressed that the project has the backing of the Russian leadership, including President Boris Yeltsin.

At the same time, Malaysian Deputy Prime Minister Anwar Ibrahim said it would be "completely unacceptable" for sanctions to be imposed on Petronas for the deal.

Also, Russia has shown an interest in participating in the $1.6 billion pipeline which is to pump natural gas from Turkmenistan through Iran into Turkey.

Meanwhile, Gazprom has announced it has withdrawn from the international consortium which is to build a pipeline across Afghanistan. Gazprom had 10% in the consortium which includes Unocal (54.11%), the Turkmenistan government, and companies from Pakistan, Saudi Arabia, South Korea, and Japan. The pipeline is to transmit gas from Turkmenistan to Pakistan. The reasons for the pullout were not made available.

Briefly

SOUTH KOREAN auto sales for January reported on Feb. 3 show that the International Monetary Fund's measures have shut down consumer buying. Hyundai reported a 44.2% drop in domestic sales; Daewoo Motors, 50.2%; and Kia Motors, 33%, compared to already unusually low figures in January 1997.

ROMANIA'S vegetable oil industry is in a crisis, as a result of a poor harvest last autumn which forced refineries to cut production. Oil producers are demanding that the government start importing oilseeds, while wholesalers are demanding the import of refined oil.

RUSSIA has decided to take the Mir space station out of orbit by the end of 1999, Russian Space Agency head Yuri Koptev reported at a Washington press conference on Jan. 30. Hopes to keep Mir operational while the International Space Station is assembled, have not panned out. He said that Russia cannot afford to work on both stations simultaneously.

EGYPTIAN President Hosni Mubarak was joined by Argentine President Carlos Menem on Feb. 4, in a ceremony inaugurating a nuclear reactor built with Argentine technology. Located in the city of Inshas, the 22-megawatt reactor, Egypt's second experimental reactor, will be used for scientific experiments, research in nuclear medicine, and training of specialized personnel.

30% OF MALAYSIAN truck drivers are unemployed, because their vehicles have been repossessed in the last three months, the Pan-Malaysia Lorry Owners Association reports. An official of the association predicted that another 10-20% of owner-operators would lose their vehicles, *The Star* reported on Feb. 2.

CHINESE Vice Premier Li Lanqing said that China's $750 billion infrastructure development plan will continue, despite the Asian financial crisis. He spoke at the Davos World Economic Forum.