Business Briefs

Europe

Italy, France Start Lyon-Turin Railway

Italy and France plan to start construction of a Lyon-Turin high-speed rail line. The 254 kilometer project, the "Transpadana," will include a 53 km Alpine tunnel, connecting the Maurienne Valley in France with the Val di Susa in Italy, and will cost about 10 billion euros (a little less than $10 billion). The Transpadana was discussed at a conference chaired by former industry association head Sergio Pininfarina, on Jan. 24. The Italian and French goverments are expected to give the green light for the project soon.

The most probable solution for the tunnel is a double rail line, one for passengers and one for freight. The project is included in the original Trans-European Network ("Delors Plan"), and is part of the larger Lyon-Ljubljana southern east-west European transport corridor, but has so far been blocked by environmentalist opposition. Once completed, the route would cut travel time from Turin to Lyon to 1.5 hours (down from 4 hours now), and from Turin to Paris to 3 hours. The connection would allow transport of 60 million tons of goods per year, reducing transport of freight by road, which today requires 10,000 trucks.

Trade

KMT Leader Sees Chinese Cross-Strait Common Market

Vincent Siew, vice chairman of the Taiwan Kuomintang (KMT) party, proposed a "cross-strait common market" between Taiwan and the mainland, during a speech at the American Enterprise Institute in Washington, D.C. on Jan. 22. Siew, a former Taiwanese Prime Minister, launched his proposal in an article last November in the *Asian Wall Street Journal*.

Siew pointed out that European integration began "with the Coal and Steel Union, followed by the customs union, the European Common Market, and then moves toward monetary union. This process took 50 years . . . but it began with the elimination of trade barriers." He said, "The establishment of a cross-strait common market can help to overcome existing political and economic impasses by creating a framework for integration while implementing concrete projects" over 20 or 30 years.

Siew said that such a common market could establish areas of "shared sovereignty." "The future establishment of a cross-strait common market will reduce the areas where the One China dispute is relevant, thus lessening mutual political arguments. . . . Under this concept the One China issue will be solved gradually as the jurisdiction of 'A Greater China' is phased in." Gradually, the areas encompassed by the "common market" can be broadened, he said. At a later stage, both sides could consider issues such as currency unification, collaboration on labor policies, and other forms of cooperation.

"Also, joint studies and the regular exchange of views, drawing on our collective cultural heritage and traditions, will assist us in the process of making the transformation toward political unification," Siew said. The "common market" proposal could become "a path-breaking concept allowing both sides to step out of the current deadlock and to create new potential for advancement."

Croatia

Economic Breakdown Proceeds under the IMF

As International Monetary Fund (IMF) policies are implemented, the Croatian economic situation is going from bad to worse. In the eastern Croatian region of Slavonia, which is still feeling the effects of the Balkans war, businesses and households with more than roughly $160 in debt to the utility company, HEP, are being disconnected from service. So far, more than 1,100 homes have been cut off, including those of returning war refugees. While the government plans to organize a three-week "grace period," the policy will stay in force. Because of lack of maintenance, a gas explosion in the sewage system in the Istrian regional center of Pula injured 13 residents and damaged buildings and vehicles.

In Slavonia, which is the most fertile agricultural area of the country, farmers are demanding higher subsidies for production, while the government is offering substantially less, because of the harsh, IMF-dictated austerity budget.

Croatia, one of the most underpopulated countries in Europe, continues to lose population because of war, emigration because of lack of jobs, and unfavorable economic policies. The population in 1991 was 4.5 million; now, it is 4.2 million. The average age in 1998 was 39.2 years. Now, only 17% of the population is under 14, and the birth rate is 1.4 per woman of child-bearing age. The population in 2050 is projected to be only 3.5 million.

Meanwhile, Croatia is being offered the chance to produce for the weapons market: The Austrian weapons-producing firm Binder and Kepler, which has powerful banks behind it, has announced its intent to take over one of the remaining symbols of Croatia's metal industry, a sewing machine factory in Split, which is bankrupt. Binder, which is producing arms for NATO and exporting to the United States, is planning to use the facility "as a springboard for the entire market in the region."

Finance

Hong Kong Is Expected To Introduce Controls

Hong Kong may introduce new international guidelines to stabilize foreign currency trading, the *South China Morning Post* reported in January. The guidelines are intended to avoid a repeat of the 1997 crisis in Asia.

Hong Kong Monetary Authority chief executive Joseph Yam Chi-kwong said that the Hong Kong Foreign Exchange and Money Market Practices Committee is considering the guidelines. Yam said that the "draft guidelines are formulated to ensure the industry will follow the best market practices and avoid potentially problematic trading practices, such as trading at illiquid hours or spreading rumors and false information. . . . This is a very positive move. An abundance of international financial activity takes place in Hong Kong. The adoption of the proposed guidelines in Hong Kong will go a long way toward enhancing the integrity of our markets. . . . It will also contribute to greater financial stability in our domestic market."

In 1997 and 1998, speculators trading the Hong Kong dollar in the Unites States, had distorted its price and created panic, something which would not be allowed under the new rules.

Hong Kong is the world's seventh-largest foreign exchange trading center in terms of volume, down from fifth place in 1995.

Russia

Siberian Winter Cracks Aging Infrastructure

Some Russians who heard about the lights going out in California, chuckled: "Ah, the long arm of Anatoli Chubais!" the Russian free-market reformer who heads United Energy Systems, the state-controlled gas monopoly. The phenomenon of regular lights-out and heat-off, though, has far exceeded his bill-collecting methods. The 18 million Russians living east of the Ural Mountains are experiencing the worst winter in decades. With temperatures dipping as low as –40-45°C (–40-50°F) and staying in the range of –20-30°C for sustained periods, elements of the aging infrastructure in that region are giving out.

As of Jan. 15, eleven people had died in Irkutsk Province, while more than 100 were admitted to hospitals with frostbite. In Irkutsk city, buses were ordered to take their routes in pairs, so that if one bus broke down, its stranded passengers would not freeze to death.

In western Siberia, the rupture of a natural gas mainline played havoc with energy supplies for industry, as well as home heating. Jan. 12 was declared a holiday in Vladivostok, because of low temperatures and lack of fuel. Schools have been closed, off and on, throughout Siberia and the Far East. Also in Primorye, the Maritime Territory, the regional office of the Russian Ministry for Emergency Situations states that 18 large apartment buildings have been without central heating for a long time, because of cold-induced breakages in the heating systems. In Magadan, tankers cannot reach the port to deliver fuel, because of ice fields more than a meter thick, which hasn't happened in a quarter-century.

Nezavisimaya Gazeta of Jan. 12 suggested that the weather could crimp President Vladimir Putin's "room for maneuver and limit the implementation of radical economic and political reforms." Some Russian patriots have hoped that the crunch of the crisis in the real economy and the global financial system, would prompt Putin to make a more radical turn in economic policy than he has so far. *Nezavisimaya* wrote that the much-touted "Year 2003" crisis, when debt obligations and infrastructure breakdown would intersect, has arrived early.

South Asia

India, Bangladesh Resume Rail Links

Rail service linking India and Bangladesh was resumed on Jan. 19, after more than a quarter-century. The rail links were first suspended in 1965 when war broke out between India and Pakistan, and Bangladesh was then East Pakistan. After Bangladesh became independent in 1971, train service resumed briefly, but stopped in 1975 because of political turmoil in its capital, Dhaka. Last July, India and Bangladesh signed the agreement to reestablish the rail links.

India and Bangladesh may soon relaunch passenger rail service, Bangladesh Communications Minister Anwar Hossain Monju said. "The governments of India and Bangladesh would actively consider the growing popular demand for a passenger rail link between the two countries."

Monju also said that Bangladesh is studying the potential of linking Bangladesh's national railways with the proposed Trans-Asian Railway network. "We would like to link ourselves with the international network for our own benefit," he said. A Bangladesh delegation recently visited Iran to participate in a meeting on the proposed network, Monju said. "The Asian Development Bank and India are providing assistance for rehabilitation of tracks to improve rail communications."

Briefly

UKRAINIAN President Leonid Kuchma will order the reorganization of the energy sector, to restructure especially the energy and electricity debts of the industrial sector, according to National Security and Defense Council chairman Yevhen Marchuk. The restructuring of the electricity debt is imperative, to enable companies to produce.

THAILAND'S 59 state enterprises will be ruled off-limits to foreign takeover by incoming Prime Minister Thaksin Shinawatra, according to Phadhadej Dhamcharee, an adviser to Thaksin's Thai Rak Thai Party. The firms have assets topping $100 billion.

INDONESIAN and German officials met in Berlin on Jan. 30. They discussed cooperation in infrastructure, machinery, agro-industry, medical services, and information technology.

GERMANY'S Deutsches Bundesbahn rail company will be unable to make use of 2 billion deutschemarks to which it is entitled from the government, for new construction projects, because it no longer has enough engineers. Nor will it be possible to hire them before the end of the fiscal year, in late June.

ZAMBIAN Health Minister Enoch Kavindele said on Jan. 24 in Lusaka, that malnutrition is to blame for about 80% of child deaths, and for increasing mortality rates from other illnesses. He said that many children would not die from diseases such as measles, diarrhea, or pneumonia if they were well nourished. He said his ministry is preparing a policy to help fight malnutrition.

GREECE will contribute $500 million to Balkans reconstruction over the next five years, National Economy Deputy Minister Yiannis Zaphiropoulos announced on Jan. 22. The money is to be invested in social and financial infrastructure, services, production, and, possibly, investments in power infrastructure.