

Business Briefs

Middle East

Italy backs regional development bank

The Italian government officially supported the proposal for a regional development bank for the Middle East, during a Nov. 30-Dec. 1 visit to Rome by Israeli Foreign Minister Shimon Peres. It also confirmed earlier promises to finance a feasibility study for a Red Sea-Dead Sea canal.

Prime Minister Silvio Berlusconi, after meeting with Peres, said that his government is concerned "about possible delays in programs of financial and technical aid to the Palestinian state," the daily *Il Giorno* reported. "Italy follows with attention the initiatives proposed at the Casablanca summit, among them the creation of a regional development bank, conscious that a strong cycle of growth and investment constitutes an effective answer to underdevelopment and frustration, which are at the base of fundamentalism and intolerance," Berlusconi said.

Italian industry, meanwhile, is lobbying for Mideast development projects. The magazine *Il Mondo* reported that Italian state and private industries are promoting the regional development bank and several international consortia which have presented plans for various Palestine development projects.

ENI, the state-owned oil and gas company, is pushing for a pipeline which would bring liquefied gas from Egyptian soil in the Sinai to Palestine and then to Israel and Lebanon; the plan includes a connection to Syria. ENI is offering to finance one-third of the \$1.3 billion project—the second most important project after the canal. After ENI came out with its proposal, British Petroleum announced it would compete.

Another state-owned company, an IRI subsidiary called Garboli-Rep., is preparing proposals for construction of housing, including for Palestinian security forces. A private company, Fioroni Costruzioni, is already in the Occupied Territories with moveable plants for water desalination. Fioroni has also, together with the Dutch firm Ballast Nedam and the French firm Spie Batignoles, signed a contract to build a port in Gaza. Financing is expected to come from the European Union and

the Italian government. A joint Italian-Palestinian consortium is building part of the airport infrastructure, and the Italian state electricity concern ENEL is preparing, along with the Italian subsidiary of ABB, Sae Sadelmi, an integrated plan for water and electrical infrastructure.

Finance

Banker warns of crash bigger than in 1987

A crash bigger than that of October 1987 is in the offing, Johann Philipp Freiherr von Bethmann, a former Frankfurt-based banker who now works as an investment consultant, warned in a letter to the German daily *Frankfurter Allgemeine Zeitung* on Nov. 29.

Despite the recent U.S. Federal Reserve Board move to raise interest rates for the sixth time since February, Bethmann predicted an increase of inflationary trends in the United States and a "farewell to stability."

"This is how it will develop, but not in a lasting way, because the interest rates will have to be lowered again, soon. Then, the new inflation will end in a new crash, likely bigger than 1987," he said.

Egypt

IMF destabilizing the nation, charges Mubarak

Demands by the International Monetary Fund (IMF) for a 10-30% devaluation of the Egyptian pound over an 18-month period would destabilize the nation, President Hosni Mubarak charged, the Swiss *Neue Zürcher Zeitung* reported on Nov. 30. Mubarak "refused to hear talk of any change in the pound rate, characterizing it as an attack against trust in the national economy and in the reform program," the financial daily said.

Several government officials voiced opposition during November to IMF demands, the paper reported. "Experts in government posi-

tions, in the leading National Democratic Party, in Parliament, and in the association of Egyptian businessmen, argued in agreement, that such a devaluation would not lead to the desired increase of Egyptian exports, but rather to a massive increase in the price of imports," the paper said.

Central Bank Vice Governor Mohamed al-Barbari said that the devaluation would raise imports from \$11 billion to \$15 billion, and the trade deficit would rise to \$11.5 billion.

The reason this resistance to the IMF is taking place is that Egypt's collapsing economy is fueling dissent, particularly among the Islamist opposition. As the leader of the parliamentary commission on economics, Mustafa Said, is reported to have remarked, the average Egyptian has seen no advantages in the macro-economic shift ordered by the IMF (including vast privatizations and cuts in subsidies), but rather only a violent depression.

Agriculture

AIDS is threatening food supply, says FAO

A new study by the U.N. Food and Agriculture Organization on the economic costs and social burdens of AIDS in the Third World reports that, especially in parts of African countries south of the Sahara, agricultural production is seriously threatened. This is especially true in those areas which are greatly affected by AIDS and where the number of people becoming sick with AIDS is expected to double within six months.

FAO investigations into the agricultural sector in Uganda, Tanzania, and Zambia show that the decrease of agricultural activities due to AIDS often leads to a further decrease in the productivity of the land, to a point where it is no longer usable. The FAO is calling for help for the survivors to enable them to continue agricultural activities and to increase productivity.

The FAO expects that per capita income will further decrease significantly due to the influence of AIDS in all the affected countries. Moreover, it expects that the child mortality rate will increase by 50% in this decade. One

Briefly

million more orphans are expected in the next five years in Uganda, where one-fifth of the sexually active population is thought to be infected with AIDS. The indirect costs of AIDS, such as caring for orphans and widows, will also increase.

Petroleum

China, Vietnam agree to talk on Spratly Islands

China and Vietnam agreed to start negotiations on their dispute over the Spratly Islands in the South China Sea, and on sharing the potentially enormous oil and gas deposits in the area, in a joint communiqué issued at the end of Chinese President Jiang Zemin's landmark visit to Vietnam on Nov. 22. The two countries announced that they had agreed to set up a group of experts to discuss South China Sea disputes, including the Spratlys.

However, it is believed by many in Southeast Asia that the agreement reached in Hanoi supports Beijing's insistence that the dispute is a bilateral problem, and will ignore the claims of other countries.

Pending a peaceful settlement, China and Vietnam could start joint development of the island group, Chinese Foreign Minister Qian Qichen said at the end of the talks. Qian said the most important thing to have emerged from the visit was the consensus on the need to shelve political disputes while Hanoi and Beijing develop their economies.

Southeast Asia

Four nations agree to jointly develop Mekong

Cambodia, Laos, Thailand, and Vietnam agreed in principle in November to jointly develop the waters of the Mekong River, and to share the world's 12th longest river for the mutual benefit of all. The four countries pledged to use, manage, and conserve the Mekong's resources for irrigation, navigation, hydro-

power projects, flood control, fishing, and other uses.

Navigation through the main channel of the river will be free "without regard to the territorial boundaries for transportation and communication and to promote regional cooperation and development," they said in a statement.

The four stated that they hope China and Burma (Myanmar), which control the upper reaches of the river, would join the pact. Last January, China, Burma, Thailand, and Laos opened talks in the southern Chinese city of Kunming on developing navigation on the Mekong River, but at that time Vietnam and Cambodia apparently were not invited to the meeting.

Central Asia

Pakistan President to stress trade with China

Pakistan President Farooq Leghari said that he will stress the need to promote economic cooperation with China during his Dec. 2-8 visit to Beijing. Xinhua news agency reported from an interview on Dec. 2, on the eve of Leghari's departure from Islamabad. Leghari stressed the importance of trade and, especially, the opening of the land trade route to Central Asia.

China and Pakistan, he said, have already agreed on a "quadrilateral arrangement involving Kazakhstan and Kyrgyzstan" to open the land route, and make it passable year-round. He said that financial help for building the route will come from the International Development Bank and other institutions.

Leghari was invited to visit China, his first visit there, by Chinese President Jiang Zemin. Leghari said that Pakistan, located at the juncture of four civilizations, including China, Indo-Pakistan, the Middle East, and Central Asia, can play an important role in regional and world affairs.

Leghari claimed that the Pakistani government's current economic policies (which include extensive privatization and budget-deficit reduction) had attracted more private investment to Pakistan in the last six months than in the 47 years since independence.

● **THE PALESTINIAN** Authority will receive roughly \$200 million over the next four months, to pay public workers till March, create several thousand construction jobs, and begin projects to improve roads, sewer and electrical systems, donor nations decided in Brussels in November. On Dec. 1, Israel handed over control of taxation and health care in the West Bank.

● **THE NORTHERN IRELAND** power authority said that it plans to start repairs on an electricity link between the Irish Republic and the North, and hopes to have the work done by March 1995. Reuters reported on Nov. 30. Northern Ireland relies on its own resources and, without the link, cannot import electricity.

● **THE GERMAN** Industry Association's new chairman, Hans-Olaf Henkel, said that he wants to introduce more ideas from the World Wide Fund for Nature, in which he has been active, into his new job, in a radio interview on Nov. 30.

● **JARDINE MATHESON** Holdings Ltd. and Jardine Strategic Holdings Ltd. were removed from Hongkong's Hang Seng stock index on Nov. 30, ahead of the delisting of their shares from the stock market scheduled for Dec. 31. The "Noble House" got its start before Hongkong was founded, selling opium to China.

● **A DENGUE FEVER** epidemic is hitting Puerto Rico, with 15,000 cases this year, double the yearly average. The Centers for Disease Control in Atlanta, Georgia is downplaying demands for island-wide spraying for mosquitos, and is advising people to use commercial aerosol products.

● **HIV-2**, a variant of the human immunodeficiency virus which causes AIDS, has been found to be spreading in India parallel to the epidemic of HIV-1, the Fifth German AIDS Congress in Hanover reported in November.