copycat Hong Kong on Hainan Island in China is as yet a twinkle in a planner's eye. Where high rise blocks may one day throb to the beat of international high finance, 30,000 peasants till their fields.

They wait patiently for their land to become the financial hub of the Pacific Rim, an economic miracle which a group of American businessmen has decided should be performed in one of China's most impoverished provinces.

Chester Kim, a director of the Washington Investment Group, which is closely connected to the family of Richard Nixon and has dreamt up the

copycat city, says: "Our New Hong Kong International City will be like Hong Kong, but it's going to be better, more spacious, tropical. It's going to have more tourists than Hong Kong does. It's going to be more modern.

cleaner," His optimism is surprising. Most investors have already given up on Hainan Island, which lies to the south-west of Hong Kong, as a dead loss. Some economists believe that the New Hong Kong city could become a ghost town.

Thomas Chan, a Hong Kongbased expert on the economy of southern China, says: "Even if they built it, they may find they can get nobody to come and do business there."

When Beijing declared Hainan China's biggest and best Special Economic Zone (SEZ) in 1987, observers called it an audacious experiment that would create the richest province in the land or an embarassing folly.

Three years later, it looks like the second. Despite a long history of hyperbole, party leader Jiang Zemin on a recent visit could only summon up the description "fairly good" to describe the climate for invest-

Investors have shunned

WELLINGTON: Foreign investment, tourism-wise, has became an emotive issue here. This has been fuelled by the

purchase by Japanese interests of the well-known Wairakei golf course at a popular government-owned tourist resort, and recent sales of hotel and office properties to overseas investors.

Yet tourism could do well for New Zealand's remote location, if an investor was looking for particular tourism-related investments or distance from international trouble spots, says a report just published here.

New Zealand's concern at being left behind Asian and European countries in the quest for Japanese investment is highlighted in the report. It was made by the Japan-New Zealand Business Council task

The task force surveyed 70 Japanese organisations currently doing business here, in an effort to propornt obstacles to further investment.

VIE capture by Burmese troops of a rebel-held territory has uncovered what appears to be rich mining grounds for the highly-valued ruby gemstone.

The new "rubyland" is on the northern side of the Shwell in the northeastern Shan state which had been held by the Kachin Independence

Just last August, Burma's intelligence service "seized with great difficulties from abroad" 1,870.1 carats of rubies, including an uncut one that alone weighed 504.5

When the state-run Myanma Gems Enterprises cut and polished the piece, it turned out into a priceless, recordbreaking ruby of crimson colour, weighing 496.5 carats. It was promptly designated a national treasure and named the "SLORC Ruby," after the ruling State Law and Order Restoration Council.

While no names and coun tries were mentioned by military intelligence, informed sources said the ruby contraband was scized from Thailand where Burmese merchants brought them for valuation.

The "SLORC Ruby" could very well be the largest among the world-known rubies to be mined in Burma. Actually, the famous "Star of India" exhibited at the Smithsonian Institute in Washington, D.C. known as the world's largest ruby, was mined in Burma. It weighed just 100 carats.

The famous "Ngamauk Ruby," mined during the reign of King Pindale in 1661 remains missing. It weighed just 81 carats and was taken away by the British when it annexed the Burmese kingdom in 1886.

And now Burma has unearthed another rich ruby site in what was once rebel territory. The area was repeatedly attacked by Burma's 99th light Infantry Division and some 30 battles were reportedly fought for possession of the territory considered by the Kuchin Independent Army (KIA) as its own liberated area.

The KIA was reportedly us-

## Americans Plan to Build A Duplicate Hong Kong

An American investment group is planning to build another Hong Kong on an island of mainland China. One of its directors says: 'It's going to be better, more spacious, have more tourists than Hong Kong." Some economists have other ideas. Hainan has already proved one of least successful of China's Special Economic Zones. It could, one expert tells Gemini News Service, become a ghost town.

by Catherine Sampson

backward," said the party sec-Hainan because it has poor in frastructure and no skilled retary of a Hainan factory sadly, looking out over the mud huts workforce. Chan says: "Setting of the countryside. His sentiup an SEZ in Hainan was a very serious mistake for China. ments are echoed by so many residents of Hainan that it They had very high aspirations, sometimes seems the island but not the ability to achieve has collective inferiority com-Moreover, almost everyone

Guangdong

Zhaoqing Guangzhou

South China

Average wages in the capital Haikou are about one-third of what people earn in the most successful SEZ, Shezhen. "I

suppose our standard of living Site for a copycat Hong Kong

the stone age. The islanders have an excess of coconuts, a lot of rubber and iron ore but nothing that will make their fortune. The island may yet prove to be rich in oil, but more profits from such vital energy re-

has gone up..... a bit" said a

dirty, undeveloped places

where pigs root around in

rubbish dumps for food. The

countryside, though lush and

tropical, is even more pitifully

with local officials who have

never left the island compare

to Hawaii. Facilities for

tourists, however, remain in

The coast boasts beaches

County towns in Hainan are

Haikou resident.

sources flow to Beijing. Kim's castle-in-the -air vision of the New Hong Kong city is exactly what one man had in mind when he set up the Hainan SEZ.

That man was Liang Xiang, the former mayor of Shenzhen, China's first and best SEZ. Rather attached to SEZs, Liang Xiang asked if he could made Hainan into one too. He gained the sympathetic ear of the now disgraced party leader Zhao Ziyang, and the SEZ was cre-

His ambitions coincided with the fantasies of leaders in Beijing, who dreamed of nurturing an island which would

emulate the boomtown-style development of Taiwan. The two islands are, after all, nearly the same size.

In the early euphoria, hundreds of thousands of young people flocked to Hainan from the mainland, thinking that streets were paved with gold. They were soon disillusioned. Now only half a dozen young men stand reading the Situations Vacant posters on a wall in the centre of Hikou.

Like other Special Economic Zones, Hainan did make it to the sleaze phase of development, becoming notorious nationwide.

"Everyone all over the country knew about our prostitutes," said a taxi driver with pride, "I drove men around every evening who were looking for a woman, and the prostitutes would be lining the streets. It was as though I was taking the men shopping."

Many of Hainan's top officials were fired in 1985 after a massive car smuggling scandal which left leaders red-faced and broke. In 1989 Liang Xiang himself was fired for "abusing power for personal gain."

Funds invested by the mainland had simply disappeared into conspicuous consumption

Hainan never had a chance to progress much beyond the money-grabbing. Just as foreign investors began to wake up to the limitations of Hainan, students demonstrated in Bei-

The subsequent massacre in Beijing further shook the confidence of foreign investors and the conservative backlash in the Communist Party brought reform to a standstill.

The new generation of leaders in Hainan are eager to prove themselves a lot more reliable and cautious than the car smugglers and lavish diners. They have all but abandoned the fast track school of reform, opting instead for development of infrastructure and agriculture.

### Non-Traditional Exports Show Way in Philippines

MANILA: Non-traditional exports — electronics, garments and fresh foods - continue to show the way among the country's major foreign exchange earners.

Their performance reflects the "unexpected" surge in foreign demand for Philippine products in the last five years. according to the Department

of Trade and Industry (DTI). In its report to President ber 1989 aborted coup, considered the most serious and bloodiest of six attempts to topple the Aquino government; the drought that affected the major food-producing regions; the July 16 killer quake; power shortages; typhoons; and spiralling oil prices, triggered by the Gulf crisis.

But even more significant, the DTI noted, was that the Philippines was no longer detoys and housewares; chemicals; processed foods, fashion accessories and travel goods; and furniture.

The biggest buyers continue to be the United States and Japan, followed by Germany, the United Kingdom and the Netherlands. But the DTI noted that Asia's "economic tigers" like Hongkong, Singapore, Taiwan and South Korea, are absorbing an increasing

Asia's 'economic tigers' are absorbing increased Manila shipments. by Manolo B. Jara.

pendent on traditional exports

to earn precious foreign ex-

change. For instance, only two

oil and lumber - were among

the country's top 12 foreign

exchange earners in the last

share of non-traditional ex-

ports to total exports had

consistently grown from 71.2

per cent in 1986 to 84.6 per

cent in 1990. "From 1986 to

September 1990, non-tradi-

tional exports cumulatively

earned US\$25.2 billion or 80.9

per cent of all foreign ex-

change receipts for this pe-

continue to be the top earners,

accounting for 39,05 per cent

of the total cumulative exports

ds: metal manufactures; gifts,

Electronics and garments

riod," the DTI said.

Records indicate that the

five years, the DTI said.

Aquino, the DTI said exports grew in the last five years from US\$4.8 billion in 1986 to an unprecedented level of US\$7.8 traditional exports - coconut

billion in 1989. In three of the last five vears, the country's exports experienced doubledigit growth. "The banner year was 1988 when exports broke the US\$7 billion mark and achieved a 3.6 per cent growth."

For the first 10 months of 1990, exports earnings had already reached US\$6.7 billion. The growth was "smaller but still respectable" at 4 per cent compared with the same period in 1989, the DTI added. Year-end export receipts totalled about US\$8 billion.

Still, last year's performance for exports — and the economy as a whole - was deemed creditable in the light of the crippling events that had affected the country.

These include: the Decem-

from 1986 to 1990. The other major foreign exchange earners were fresh foonumber of the Philippine ex-

The DTI cited some factors which have contributed significantly to the surge in the country's exports. Among these are: the department's efforts in simplifying export procedures and documentation, addressing exporters' problems within 72 hours. setting up more accessible and cheaper export financing abilities, and aggressive promotion of Philippine products abroad.

Such assistance and incentives have, in turn, resulted in increased exports for certain products. Take garments, for instance.

These efforts have paid off. Since 1986, the foreign exchange earnings of garments have doubled and are now, in fact, threatening to dislodge electronics as the country's leading export. - DEPTHNEWS ASIA

(US\$1,980) on a six day/ five

night tour. This includes

NZ\$1,000 (US\$660) for inter-

nal transportation, NZ\$1,000

on accommodation and meals

and NZ\$500 (US\$330) on

spends all nights on tour in a

hotel owned by offshore inter-

Even if a Japanese visitor

shopping and excursions.

#### Wellington Scrambles for Yen Investment US\$1,362 million in Canada.

Japan is New Zealand's largest trading partner. But direct Japanese investment in New Zealand has dropped in each of the last two years.

who is interested in doing

business in China as already set

up shop in Guangdong

"Hainan is backward, so

Wuzhou,

Province.

Liuzhou •

Guangxi

Nanning

Tongking

when Japanese global invest-

Japanese investment went to Ireland. This has happened at a time While Japan is New Zealand's largest trading part-

New Zealand has not recognised that direct investment capital is scarce for which global competition is fierce. by Derek Round.

ment is increasing at a growth ner, investment in relation to rate of 40 per cent per annum.

This fact should be of mafor concern to all New Zealanders," a report by a Japan-New Zealand Business Council investment task force says.

Direct Japanese investment in New Zealand in 1989 totalled US\$101 million compared with US\$4,256 million in Australia, US\$32,540 million in the United States and

trade does not match that of

Britain attracted US\$5,239

million and US\$133 million

any other country. The New Zealand market, with a population of only 3.3 million people, was seen as too small to warrant overseas investment to secure and service the local market. Even access to larger markets through New Zealand's closer Economic Relations Agreement with Aus-

tralia was not seen a strong

enough incentive.

In a 1987 review of Japan's direct overseas investment, 55 per cent of respondents said their primary reason for investment was expansion of overseas markets.

The New Zealand invest-

ment task force in its report said it was important to change the perception that investment in New Zealand was constrained by the size of the domestic market. We need to promote the

concept of investment in high value-added resource sectors for processing and re-export," it said.

Forestry, agriculture, food processing, aquaculture and fishing, certain manufacturing, energy conversion, tourism, education, health, software, engineering and financial consultancy were all areas where

to develop a real market right in the country for precious and semiprecious stones. Prior to the annual event, Burma had to send its mine finds abroad. either legally or illegally, for

ernment, trade was handled by the state but private entities and individuals engaged in door policy of the SLORC.

also scized 28,858.5 carats of rubies in Mandalay and Mogok that were meant to be smuggled abroad. Local seizures carats each.

In the last days of Ne Win's rule, private entrepreneurs were allowed to use the MGE for a fee for the valuation of their stones so they can be included in the annual empo-

control of the country, private entrepreneurs were officially allowed to auction off their goods at the emportum.

paid in foreign exchange. The private auctioneers were allowed to open accounts with state-run foreign trade banks and were authorised unlimited imports as their funds allowed.

emporium has carned the gov-\$146,875,078 in muchneeded foreign exchange.

The government is now In spite of this, it is re-

ported that illegal mining and smuggling of valuable stones continue. - Depthnews Asia.

New Zealand was actually or potentially competitive.

The task force admitted New Zealand was not well located in relation to third markets. Distance from Japan and other major markets posed a problem if a Japanese company sought access to an outside market through investment in New Zealand.

The task force said New Zealand needed to build on the positive perception regarding tourism and the associated infrastructure. There was considerable goodwill in Japan

towards New Zealand and New Zealanders, with Japanese tourists here now totalling over 100,000 a year.

New Zealand had the highest proportionate level of students studying Japanese of any country outside Japan, the task, force noted.

Much of Japan's investment in New Zealand has been in the tourist industry although it falls well behind the high stayed in New Zealand. Japanese investment in Australian tourism.

dustry which is highly vulner able to overseas takeover. Critics of purchases by overseas owners cite the examples of the "Japanese invasion" of Honolulu and Australia's Gold Coast, a report on New Zealand tourism points out.

Tourism is seen as an in-

But the recent report on tourism saw no cause for concern and found that most of the Japanese tourist's dollars

The typical Japanese visitor here spends NZ\$3,000

ests, a minimum of NZ\$870 (US\$575) would remain in New Zealand. If accommodational was in the more numerous domestic-owned hotels the figure rose of NZ\$970 (US\$640).

Most of the Japanese visitors' purchases are in shops owned and operated by New Zcalanders.

Answering criticism that New Zealand and Australia were being sold off to Asians. the tourism report-sponsored by Air New Zealand-says Asians have been "virtually the only players in the hotel development game" over recent

The Asian region currently receives 11 per cent of total world tourism arrivals and is growing at an annual rate twice as fast as the rest of the world.

Without foreign investment into leisure properties, Australia and New Zealand would probably not have captured their fair share of the rapid tourism arrival growth in the Asia-Pacific region during the 1980s," the report says.

Tourism not only provided jobs but it reduced balance of payments deficits for both New Zealand and Australia.

Foreign investment could also bring in foreign expertise and technology, making local operators more efficient by encouraging competition.

The Japan-New Zealand Business Council task force's report on investment says that, to be regarded seriously in Japan, countries like New Zealand must adopt a coordinated approach by private and public sector organisations when marketing investment opportunities.

New Zealand had not always had a welcoming attitude towards overseas investment, it noted. adding: "Communicating New Zealand's present liberal attitude requires both effort and commitment."

Urging the government to make a minister specially responsible for investment and set up an investment board, the report said the importance of top level government commitment towards attracting Japanese investment could not be over-emphasised.

Zealand prime minister's visit to Japan last year was the first by a prime minister in nine years, the report said: "This perceived lack of commitment considerably undermines the effort to attract investment."

Nothing that the New

And it declared: "Above all else, New Zealand has not recognised that direct investment capital is a scarce and valuable commodity for which global competition is fierce."

- Depthnews Asia

## **Burma Reveals** Ruby Treasures

ing the area as its stronghold and a rendezvous point for its followers in the Kachin and Shan states. It also served as a

recruiting station. The KIA was allegedly conducting its tax collection activities from the area located at the trijunction of the northern, central and northeastern Burmese military commands. The KIA reportedly cut off the Bhamo-Namkhan road serving the area and undertook optum and teak smuggling activities

The state-run Myanma Gems Enterprise (MGE), which has been handling Burma's gems trade and organises the annual emportum, has so far processed 319 carats of rubies and 3,873 carats of sapphire from six sites around the famous "ruby town" of Mogok.

MGE has also started exploration and extraction in the area, forming joint ventures with private groups which were given the right to partic-

Gem smuggling continue even under the present open-door policy. by Min Thu

from there.

immediately following the the SLORC's open-door policy. apture of the territory from KIA, Burmese officials began mineral explorations in the area in September last year. Located just 10 miles away from another gemstone area in Pyinlon, the area has so far yielded 4,900 carats of raw

rubies, reports said. The valuable stones, together with finds from other mines, form part of the exhibits for auction at the 28th annual gem emporium held in January. The exhibits were viewed prior to the auction by Gen. Saw Maung, chairman of the ruling State Law and Order Restoration Council (SLORC) and other top government offi-

Mining on a commercial scale appears to have started in Pyinlon, which is off Namtu in northern Shan states. Discovered in 1989, the site was designated an official treasureland or stone tract in April

So far, the site has produced 48,926 carats of raw rubie's, according to official reipate in such activities under

Reports said this year's emporium included 1,858.55 carats of ruby and 542 carats of peridots from just three mining sites.

Burma has also been mining gold and diamond. A total of 1,299 carats of raw diamond have been mined to date -222 carats from Mohauk in Mongmit in the Shan states and 1,077 carats from Indow in the Tenessarim division in lower Burma.

Burma aimed to produce 49,200 troy ounces of gold and 50 ounces of refined gold for the fiscal year which started

April 1, 1990 and will end

March 31, 1991.

Figures for gold were not

For the same fiscal year, Burma also had production targets of 450,000 ounces of silver and 55,000 kilos of jade. The annual gem emportum

was organised in 1964 by

former Burmese leader Ne Win

valuation and sale. Under the socialist gov-

gem smuggling. Hefty tax-free monetary rewards for informers were offered to check smuggling but it continues even under the present open-Military intelligence has

have included three big pieces weighing 330, 260 and 250

When the SLORC assumed

Sales in the emportum are

So far, Burma's annual gem ernment some

strengthening its campaign against the illegal mining and smuggling of precious gems. A recent military crackdown resulted in the arrest of four members engaged in illicit gems trade. They have been sentenced to life imprisonment by a military tribunal in the ancient capital of Man-

# The roof starts to fall in

ORONTO'S civic pride some would call it smugness - is taking some unaccustomed knocks.

The setbacks to a city which can justifiably claim to be one of the safest, most pleasant and most efficient in North America started in September, when Toronto lost bids to stage the 1996 Olympic Games and the turn-of-the-century

World's Fair. Since then, the fast-deteriorating economy in southern Ontario, Canada's industrial heartland, has ravaged house prices, put a question mark over the city's ability to sustain the excellence of its public transport, and forced its six municipalities to start paring services.

The most humiliating cuts have been to two of the city's showcase projects. To the consternation of the arts community, Ontario's new left-wing government pulled the plug last November on a promise by its predecessor to chip in almost 20 per cent of the cost of a C\$311m (£137.6m) ballet

and opera house. Preparations for the 2,000seat theatre have already started on a site about a mile north of the financial district,



The SkyDome: its facilities are undeniably impressive but building the luxury extras has proved a heavy financial burden

on Toronto's SkyDome and the project's backers still

hope it will eventually go

ahead in a truncated, less costly form. But the Ballet Opera House Corporation, which has overseen the project, has already laid off almost all its 135

Toronto's other problem child is the SkyDome, the only sports stadium in the world with a fully retractable roof. The SkyDome's facilities, which include a health club and an hotel with bedrooms facing on to the field, are undeniably impressive.

Almost 3.9m baseball fans

watched the Toronto Blue Jays play at the SkyDome this year, a record for any North American baseball team. Crowds have filled its 50,000 seats for cricket matches, the opera Aida, a Rolling Stones performance and the Wrestlemania wrestling extravaganza. But the high cost of building a structure with so many luxury extras has left the Sky-

Dome with a heavy financial burden. The stadium was expected to cost C\$150m when it was originally mooted in 1985. The construction contract signed a year later was for C\$235m. The final cost will leave little change out of C\$600m. Revenues have failen far

short of the C\$40m a year needed to service the stadium's C\$300m debt. A C\$23m loss is expected this year. At the same time, some tenants of the 161 lavishly-furnished private boxes are complaining about cost overruns and expensive food. The stadium's shareholder,

the Ontario government, is now in the throes of negotiating a rescue plan with the businesses which contributed C\$150m towards construction Amid all the gloom, there's

been one modest moralebooster for Toronto. The city will host the 1991 All-Star game, one of the highlights of North America's baseball calendar, on July 9.