Business Briefs

Infrastructure

Peru, Paraguay aim for economic independence

Peruvian President Alberto Fujimori and Paraguayan President Juan Carlos Wasmosy vowed in a meeting in early February to launch a series of infrastructure projects which they said would help both nations combat poverty and achieve their economic independence, just as they had together fought to achieve political independence more than 200 years ago.

The major project under discussion is an "intermodal corridor" which will unite Peru, Bolivia, and Paraguay, offering Paraguay and Bolivia access to the Pacific Ocean, and Peru access to the Atlantic Ocean. Paraguay will grant Peru free access to ports on the Rio de la Plata, while Peru will grant Paraguay free access to the Pacific through the ports of Ilo or Matarani. To complete this project, Peru would also have to build the Ilo-Matarani-Desaguadero highway.

The Feb. 2 issue of El Comercio of Lima commented that the building of the trans-Amazonian highway, which would connect the Brazilian city of Acre with Peru, would also be a useful project. These projects envision greatly increased trade and transportation across the entire region, including also parts of Brazil and northern Argentina.

Africa

OAU expresses ‘grave concern’ over debt

The Organization of African Unity expressed "grave concern" over the debt burden on African countries and noted that "the socio-economic conditions of the majority of member states did not show any significant improvement in 1993 in spite of the reform-driven policies [i.e., International Monetary Fund-imposed policies] which have been introduced by governments since the beginning of the 1980s," in a report to the 59th ordinary session of the OAU Council of Ministers, PANA news service reported on Feb. 1.

Even though the figures for 1993 are not yet out, the OAU said, "it is certain that their magnitude will not have [been] lowered to the desired level in order to relieve African countries of the debt overhang." PANA noted that since 1985, when member states adopted the common position on African debt, the debt has risen from $184.89 billion to $275.15 billion in 1992, an increase of 49%.

At the same time there has been a continuing decline of resource flow. "The situation is all the more alarming if one were to compare the total debt to total exports or total gross domestic product," observed the OAU. For example, the debt-to-export ratio increased from 361% in 1990 to 373% in 1992. The debt service ratio to exports also increased from 30.1% to 35% during the same period.

Among the factors contributing to Africa's poor performance, the OAU said, were "inappropriate macro-economic policies," deterioration of terms of trade, depressed commodity prices, low levels of investment, and political instability.

Russia

Alternative economic program unveiled

An alternative economic program entitled "Social and Economic Transformations in Russia: the Modern Situation and New Approaches" has been submitted to President Boris Yeltsin and parliamentary deputies, Interfax news agency reported on Feb. 2. The authors include Leonid Abalkin, Nikolai Petrukov, and Stanislav Shatalin.

The program is said to advocate active state regulation during the formation of a market economy, to emphasize social considerations such as minimum pay, maintaining employment, allocations to education and health care, and to recommend the curtailment of "populist voucher privatization."

On Feb. 1, Yeltsin purged two more radical reformers, Environment Minister Viktor Danilov and Health Minister Eduard Netchayev, from the Security Council, the country's top executive body.

Meanwhile, Yuri Skokov, head of the Russian Federation of Goods Producers, warned that "nearly half of all industrial enterprises" are close to shutting down. "That means dozens of millions of unemployed, people who never knew unemployment, taking to the streets. That means chaos and civil war," he said, the Feb. 2 German daily Frankfurter Allgemeine Zeitung reported. He said Russian industry is undergoing "a collapse that inevitably leads to the breakup of the Russian state."

Agriculture

World grain harvest continues decline

For the current fiscal year (ending June 30), the world grain harvest, including rice, is expected to reach only 1.878 billion tons, Agra-Europe reported in January. This is 4% less than the year before. The U.N. Food and Agriculture Organization reports that the supply situation worldwide is under "big constraints." Production of feed grains in industrial countries in particular dropped significantly compared with 1992.

This situation will cause world grain stocks to decrease dramatically. Regional shortfalls of grain are being reported and, at the same time, grain prices on the world markets are rising.

While low grain harvests in Kenya, Eritrea, Ethiopia, Sudan, Burundi, and Angola, and shortages in Iraq, Haiti, and the republics of the Caucasus, will increase demand for food donations, donor nations have been cutting back on aid. There will be at least one-third less grain available for food assistance than the year before, or 11.4 million tons.

Space

Japan launches rocket produced domestically

Japan launched its first domestically produced rocket on Feb. 2, which is capable of launching satellites. Its previous launch vehicles relied on U.S. technology, which was received on condition that Japan get Washington's permission to launch third countries' satellites. A con-
sortium of over 70 Japanese companies has formed Rocket Systems Corp. to market the rocket.

"The most important thing is that it's our own technology," Masayuki Yoshino, a spokesman for the National Space Development Agency of Japan, said of the rocket, named the H-2. "We want to show that Japan can do this by itself. Using other countries' technology means too many rules."

The Jan. 31 London Times, under the headline "Japanese Rocket Fuels Fears of Arms Race in East Asia," claimed that this rocket"could also be used as an inter-continental ballistic missile (ICBM) to deliver a nuclear weapon anywhere in the world . . . traversing the globe before re-entering the atmosphere. . . . And the fact that the H-2, unlike previous Japanese rockets, has not been built using U.S. technology, means that Japan does not have to open the rocket program to U.S. inspections."

**Energy**

**Soros teams up with GE to build power plants**

The speculator George Soros has formed a partnership with GE Capital Corp., the financial services arm of the American firm General Electric, to sell power plants around the world. The venture's initial focus will be Asia, particularly China, India, and Indonesia, and there are plans to expand to Mexico.

GE Capital has carried out more leveraged takeovers than any other firm (surpassing Michael Milken and Ivan Boesky), and its investors include Li Kai Shing, who is a partner in Newmont Mining and who is tied to the Hong Kong and Shanghai Bank. The HongShang controls production, distribution, and initial money-laundering of opium and heroin from Asia's "Golden Triangle."

The fund will seek to boost GE's power plant manufacturing business at the expense of its global competitors such as Asea Brown Boveri, which is a producer of the high-temperature gas-cooled reactors (HTGR). Through a new fund called Quantum Industrial Holdings and GE Capital, each will put up $200 million into the venture; another $50 million will be put up by the International Finance Corp., the private financing arm of the World Bank. The partners are in negotiations to secure another $2.5 billion in equity from a wide variety of businesses.

**Philippines**

**Ramos backs down on IMF price hikes**

Philippines President Fidel Ramos rescinded a 15% fuel price hike imposed in January after meeting leaders of a broad coalition of groups opposed to the increases on Feb. 4, according to wire service reports. Ramos, who has implemented International Monetary Fund (IMF)-dictated policies, recently vetoed an attempt by the Philippine Senate to cut the federal budget allocation for debt service payments.

The alliance is composed of 80 organizations and individuals, including leaders of the Catholic Church, the business community, labor unions, politicians, and "even military rebels behind previous coup attempts," according to Reuters. "He blinked," Filipino newspaper columnist Teodoro Benigno said. "He is worried that massive protest marches will have a restraining effect on foreign investments."

The government said its fuel levy had to be passed on to the consumer to replenish its revenue deficit. The rate hike will now be suspended three weeks while a panel of cabinet ministers and price hike opponents look for other sources of funds. Reducing the budget deficit is a key condition of the IMF.

The price hike announcement ignited large-scale protests, including calls by labor leaders for a national strike. Military rebels in Manila have issued a statement saying that the Ramos government would do well to heed the public outcry in prices and roll them back or face worsening violence. Members of the communist Alex Boncayao Brigade on Feb. 2 claimed responsibility for dynamiting the offices of Shell, Caltex, and the Philippine National Oil Corp., and on Feb. 3 warned of up-coming attacks on representatives of the IMF, the World Bank, and oil company executives if the the hikes were not rescinded.

**Briefly**

- **THE MALAYSIAN** government has awarded $5.6 billion for a dam in Sarawak state, ignoring environmentalists' warnings of ecological disaster. Prime Minister MahathirMohamad defended the decision, saying that the dam is vital for the country's energy needs. The project would generate 2,400 MW of electricity a year.

- **TIME IS SHORT** in the efforts to control the risks of derivatives, Arthur Levitt, chairman of the U.S. Securities and Exchange Commission, warned in Davos, Switzerland, the German economic daily Handelsblatt reported Feb. 1. The activities of non-banks in the derivatives trading are "the open flank of today's financial system," he said.

- **THE QUEEN of England** is "a major investor" in George Soros's Quantum Fund, a London source told EIR. "Soros boasted to me over dinner recently that 'a major investor' in his global hedge fund is the queen," he said. Soros has been accused of speculating against European currencies on behalf of Anglo-American finance.

- **25,000 SOUTH KOREA** farmers and students demonstrated in Seoul on Feb. 1 against planned rice imports as dictated by the General Agreement on Tariffs and Trade accord, the International Herald Tribune reported. Farmers are demanding a national referendum on importing rice.

- **MORE PRICE CUTS in agriculture** are being demanded by the European Union, Agra-Europe reports. Support prices would be cut another 3% for butter, 5% for beef, 30% for pork, and eliminated for cheese.