

Business Briefs

Infrastructure

Iberia to Africa rail tunnel study outlined

The Spanish engineering group CESEG has concluded, after a 12-year study, that a railway tunnel between Africa and Europe across the Strait of Gibraltar can be built within 10 years for roughly \$7.5 billion, according to reports in the May 23 German press. In the first phase of construction, the tunnel would be built for a one-track railway connection and run from the southern Spanish city of Tarifa to the Moroccan city of Tangier, cutting travel time to 30 minutes.

The team proposes to build the tunnel not at the shortest distance between Africa and Europe, where the water is over 900 meters deep, but at a point at about half that depth. The recommended route would be 38 km, of which 28 km would be underground.

Although the governments of Spain, which commissioned the survey, and Morocco are in favor of the project, under present high-interest banking and austerity budget policies, European Union co-funding will be needed.

Nigeria

Debt burden scored at bank meeting

Nigeria's head of state Gen. Sani Abacha said that half of Africa's debt was due to interest charges and rescheduling of older debt, at the annual meeting of the African Development Bank, Reuters reported on May 24. "This state of affairs is unacceptable," he said, adding that debt was hampering growth. He called on the ADB to devise a substantial relief formula to present to creditors.

Nigeria's Finance Minister Anthony Ani said that global debt relief initiatives, such as the U.S.-inspired Brady Plan, had little impact in Africa, whose external debt reached \$270 billion in 1994. "An initiative designed for Africa is what is called for. Such an initiative, to be effective, should target a substantial reduc-

tion of the debt stock owed by African countries," he said. "That way, growth can resume, private capital flows into the continent will be secure, long-term development will be facilitated, and Africa will be able to take its rightful place as a trading partner."

Ani said many African countries had fallen into a spiral of indebtedness, in which they were unable to pay mounting debt service charges. New bilateral and multilateral funds were not available, so they had to resort to expensive private commercial loans for development efforts.

The French daily *Le Monde* admitted on May 24 that the World Bank and International Monetary Fund have placed Nigeria on the index of disapproved countries because of the Abacha regime's commitment to a "dirigist program." "Even those who doubt the total 'sincerity' of the government can only affirm that things have improved in the course of the first trimester of this year," with the naira, the currency, stabilizing against the dollar and inflation slowing down.

The London *Financial Times*, meanwhile, reported on May 26 that "getting policy right has not been helped by the anti-World Bank stance of an obscure German-based group, the Schiller Institute, which is close to senior officials in Abuja. The institute advocates a go-it-alone approach to development based on its belief that the world's financial system is about to collapse." The Schiller Institute was founded by Helga Zepp-LaRouche, wife of U.S. economist Lyndon LaRouche.

Finance

British real estate a disaster, report warns

"Forget Lloyd's, forget Barings, there is a catastrophe hanging over the housing market that could put these run-of-the-mill financial disasters into the shade," a report in the May 28 London *Observer* warned. The victims of this disaster will be middle-class homeowners, who are heavily indebted. Nearly every professional group, from building societies to banks and real estate agencies, are all predicting disaster.

The "nightmare" statistics include that home mortgage debt is now £370 billion in Britain, in contrast to £58 billion for all other consumer debt. Repossessions went up to 300,000 over the past five years, and another 2 million households narrowly avoided the same fate. Over the past three years, 2% of Britain's 10 million homeowners lost their properties, 11% defaulted on payments, and 12% had severe difficulty paying. Now, over 250,000 households are over six months in arrears, and repossessions are running at 1,000 a week. This could go up by 25% in the coming year, the Council of Mortgage Lenders warns. Repossession orders were up 7% so far in 1995.

This situation will get far worse, if a government proposal to drastically cut support for mortgage interest payments for the unemployed, is enacted as scheduled in July. Now, anyone who is unemployed gets half their mortgage interest payment from the government for the first 16 weeks, and then the government takes over payments entirely. Under the new proposal, anyone who takes out a mortgage after October, will not get any mortgage benefits for the first nine months of unemployment, and anyone with savings over £8,000 will get no benefit at all.

Space

Japan plans for fusion fuel plant on the Moon

Japan will send a Moon probe by the year 2002, in the first step in a plan to seek fuel for future nuclear fusion reactors and a site for an observatory on the Moon, Kyodo news agency reported, according to Reuters on May 28.

The National Space Development Agency (NASDA) and the Education Ministry's space research center will jointly launch a two-ton satellite into lunar orbit using NASDA's H-2 rocket. A second probe would land an unmanned vehicle on the lunar surface that would search for deposits of helium-3, a key fuel for advanced nuclear fusion reactors. The vehicle could also locate a suitable site for an observatory on the Moon and collect rock samples.

The plan will be formally adopted at the government's Space Development Commit-

tee in June, Kyodo said. The Education Ministry's research agency has already launched two small experimental satellites into Moon orbit and is scheduled to add one more experimental probe, called Lunar-A, in 1997.

Agriculture

Grain production is collapsing in CIS

In 1994, grain production in the republics of the Community of Independent States collapsed by 19.8% compared to 1993, Agra-Europe news service reported the week of May 20. In nine of the 12 republics, cultivation had to be reduced, because of the lack of machines, fertilizers, fuel, and other inputs. Only two republics, Turkmenistan and Kyrgyzstan, harvested more than in the year before, despite a 16% fall in yields, because the area planted was expanded. In Tajikistan, Georgia, and Armenia, less than 100 kilograms of grain were harvested per capita.

At the same time, these countries are cutting back imports because they do not have the means to pay for them. Experts expect Tajikistan and Azerbaijan to ask international organizations for food relief this year. The United States is said to have agreed in February to donate 133,000 tons of wheat to Armenia and 37,000 tons to Georgia.

Use of fertilizers in Russia has collapsed by 90%, from 14.2 million tons in 1987, to only 1.4 million tons in 1994. Only one-fourth of the area planted was fertilized in 1994. As of April 1995, in 52 out of 89 administrative regions, farms purchased no fertilizer for spring planting because they have no liquidity. In all of the CIS, only 25% of grain area is being fertilized. Depletion of soil reached devastating proportions and food production is approaching a low point. The fertilizer industry is producing below 50% of capacity, and if companies want to stay in production at all, they are forced to export fertilizers on the world market for prices that are much too low. The low input of fertilizers will have long-lasting consequences.

Gennady Romanenko, president of the Russian Academy of Agriculture Science, cal-

culates that Russia's agriculture sector was looted of almost \$30 billion under shock therapy policies, including from the disparity between industrial and farm prices, in the last three years.

Food production prospects remain desperate. Out of 71 million hectares that are still to be planted this spring in Russia, at most 30 million hectares could be cultivated if the machinery on the farms is used to the utmost, according to a report from the Agriculture Ministry in Moscow. Less than one-fourth of farm machines are operable, mainly because of lack of spare parts, but also because there is no money to purchase gasoline.

Baltic

EU offers funding for coast highway

The European Union offered ECU 200 million for the co-funding of Baltic coast infrastructure projects, at a Baltic Council conference which began in Gdansk, Poland on May 19, the Swiss daily *Neue Zürcher Zeitung* reported on May 22. EU Commission member Hans van den Broek declared that the development and modernization of infrastructure in the coastal regions along the Baltic Sea is in the interest of the EU, and that the Baltic Council could play a key role in defining such projects.

Russian Foreign Minister Andrei Kozyrev voiced doubts, however, on the usefulness of the Baltic Council, saying that many projects have been put on paper but are only slowly realized. However, Russia has obstructed all Baltic projects in past years.

The potentially positive side of Kozyrev's remarks in Gdansk was that he endorsed the project of the "Via Baltica," the long-overdue replacement of the existing pre-war interstate road from Finland, through the three Baltic republics, to Poland, and to northeastern Germany, by a modern highway. References made by Kozyrev to the benefit which the economy in the Russian enclave of Kaliningrad will derive from the transport connections to the East and the West via the Baltic highway, may explain where the recent, increased interest of Moscow in the matter originates.

Briefly

● **THE STATE RAILWAY** companies of Spain and France have set up a joint group to work out details (especially financing) for a Narbonne-Barcelona rail link. The route, one of the European Union Trans-European Networks high-speed railway projects, includes a rail freight link between Barcelona and Perpignan.

● **20% OF SPANIARDS** suffer from water shortages, *El Mundo* reported on May 20. The reserves of the rivers Segura, Guadalquivir, Sur, Jucar, and Guadiana are at 10% of capacity, which means that the water is unusable. Israeli techniques for "micronizing" water for irrigation are scarcely used in Spain due to lack of investment.

● **ARMENIA** is preparing to restart its Chernobyl-model nuclear power plant at Metsamor, which has been shut down since 1989 due to safety concerns, the May 28 *Washington Post* reported. The Armenians are desperate for electrical power.

● **PLO LEADER** Yasser Arafat witnessed the signing of a contract on May 26 to build an airport in the Gaza Strip, *Asharq Alawsat* reported. A \$16 million soft loan was provided by an Egyptian bank for the project; the first flight is expected in January 1996.

● **MOROCCO'S** harvest losses due to drought may be as high as 75%, the Spanish daily *El Mundo* reported in May. King Hassan told the nation that the country has to be considered in a state of "national catastrophe." He said that \$5 billion would be needed to meet the crisis in the short term.

● **UKRAINE** has appointed a consortium of European, American, Japanese, and Ukrainian companies, headed by Brown Boveri, to accelerate plans for a new power plant to replace the nuclear facility at Chernobyl, the *Washington Post* reported. The sudden decision is aimed at ensuring that the issue of funding (an estimated \$4-10 billion) is taken up at the Halifax summit.