

# Business Briefs

## Political Economy

### World outlook bleak, says ABB director

The outlook of the world economy is far worse than it was two or three months ago, Percy Barnevik, director of the Swedish-Swiss ABB company, stated in an interview in the Swedish daily *Svenska Dagbladet* on Oct. 16. "It does not look bright. It is the first time in 30 to 40 years that Japan, Germany, and the U.S.A. are in phase with each other and all are on their way down at the same time. The development is not negative, but the rate of growth is simultaneously decreasing in all three countries and that is uncanny."

Asked whether he sees any risk of a serious lack of capital for investments in eastern Europe and Asia, Barnevik said, "Yes, of course, especially of long-term venture capital. There is a lot of short-term capital floating around, but one cannot finance a power station which is to be run for 30 to 40 years with short-term, easily movable pension funds."

## Space

### ESA votes to stay in int'l space station

The Council of Ministers of the European Space Agency (ESA), representing 14 member states, adopted a plan that will provide a solid budgetary basis for the programs that were approved, in a meeting in Toulouse, France on Oct. 18-20. The ministers said that the International Space Station project "is the most important cooperative endeavor ever undertaken, with significant scientific, technical, and political benefits," and agreed to continue funding for the European space station module.

Many ESA member States face severe budgetary problems, and there was a threat that the multi-national agency, which has made Europe the third major space power, would degenerate into a set of squabbling "me-firsters." ESA has cancelled a number of projects over the past few years, including the Ger-

man Sanger aerospace plane and the French Hermes shuttle, making its manned space program entirely dependent on the U.S. Space Shuttle and Russian Soyuz/Mir programs. If it were to pull out of the space station, there would be little possibility of putting European astronauts into space.

The ministers also welcomed the report of the ESA Long-Term Space Policy Committee, which is centered on a proposed four-phase lunar program that would culminate in a manned presence on the Moon in the next century.

## Astronomy

### Network of telescopes probes solar interior

The first adequate system for measuring seismic waves in the Sun, a global array of six optical telescopes, funded by the U.S. National Science Foundation (NSF), began operations on Oct. 5 after 11 years of planning.

The acoustic or seismic waves, which cause rising and falling of the gas at the solar surface, will be analyzed to determine temperature, pressure, density, and motions at varying depths. Such information could ultimately be used to determine whether nuclear fusion is the sole source of solar (stellar) energy, and to cross-check the theory of stellar fusion reactions (nucleosynthesis).

The waves have frequencies ranging from 2 to 12 minutes, but there are 10 million frequencies within that range. According to John Leibacher, lead scientist on the project, "we can use what we learn about the Sun as a Rosetta stone to understand other stars. . . . We'll also learn more about how the Sun affects our own planet."

An NSF press release explained, "What causes the Sun to 'ring' this way—a phenomenon discovered 25 years ago—may now be known. Energetic explosions near the Sun's surface are thought to set up vibrations that last for weeks or even months, propagating back and forth through the Sun. This celestial ringing, like a Christmas bell concert given by a million musicians, is 'heard' as 10 million different notes—each one penetrating to a differ-

ent depth and to a different latitude in the Sun, and each with its own score to be decoded."

The project is called the GONG array, for Global Oscillation Network Group. Jim Kennedy of GONG's analysis center at the National Solar Observatory in Tucson, Arizona, explained to *21st Century* magazine on Oct. 20 that helioseismology as practiced to date has been very rough and ready, because the data analysis only provides clear results if there is a nearly continuous time sequence of observations. Therefore, a global network of stations is necessary to "get rid of night" and bad weather interruptions.

The six three-inch telescopes are located in California, Hawaii, Australia, India, the Canary Islands, and Chile. They measure a neutral nickel spectral line (to detect the Doppler shift) simultaneously every minute, using the Global Positioning System for synchrony.

## Eurasia

### Iran 'great project' is reviving the Silk Route

Work has begun on a great project in Sarakhs, on the Turkmenistan-Iran border, destined to transform the site, which was a dead-end during the Soviet era, into a transit link between, ultimately, Europe and Asia, the Oct. 17 *Neue Zurcher Zeitung* reported. A new bridge has been opened over the Tajan River, the border, capable of carrying road and rail traffic; nearby, a commercial center is being erected to house a free-trade zone for production and trade. Iranian President Ali Akbar Hashemi Rafsanjani wants to extend the rail connection to Marv, in Turkmenistan, within six months. This will reopen the Silk Route.

The new rail link from Meshhed to Sarakhs "joins the network of the ex-U.S.S.R.—with access to all the new republics as well as via Mongolia to China—to that of Iran, Turkey, and, finally, Europe," the paper reported. "The Iranian railway also finished a branch to the Gulf port Bandar Abbas this summer. This opens the perspective of merchandise transport from Central Asia via Sarakhs, Meshhed, Teheran, and Bafk to the sea. A direct link from Port Chahbahar on the Indian Ocean to

Meshhed is planned. A further piece in the south from Kerman via Zahedan is to secure the connection to the Pakistani network."

The project could catalyze an economic boom in Central Asia. The rail project will provide an alternative route to the currently politically explosive route through Grozny and Karabach, Armenia, and Turkey. Chevron is trying to gain U.S. government agreement to make an exception to the embargo policy, to allow it to make a deal with Iran, involving its joint venture in Kazakhstan.

Iran is planning to transform Sarakhs into a free zone for tax-free goods to be offered to the Central Asian republics, to make the area between it and the industrial zone of Meshhed an "economic axis." The perspective is attractive to western enterprises, which are eager to exploit the markets of the 12 nations which would be opened up. Iran has given the license for this project to the Imam-Reza Foundation, which set up a branch in Sarakhs, and which will work with international firms in joint ventures. Energy will be available from the nearby gas refinery in Gonbadly. There is ample labor power, arable land, and water to make new settlements possible. One Iranian engineer commented, "We have brought the sea to the gates of Central Asia."

### **Economic Policy**

## **Reject laissez-faire in Hongkong, says professor**

Prof. Hu Jian, head of the Faculty of International Finance of the College of Economics in Beijing University, suggested doing away with the laissez-faire financial system in Hongkong and developing its financial markets to reinforce its ability to counteract chaos, Chinese News Service reported recently.

Beijing, for China's development, wants Hongkong to "be able to resist external financial storms," but the question is how. "The fact that, since the 1960s, Hongkong has time and again been affected by turmoil in overseas financial markets, clearly demonstrates its vulnerability. Hongkong today is under the shadow of mass unemployment, high inflation, and recession. A total laissez-faire policy, in such

circumstances, will lead nowhere," Hu said.

Hu asked, "Over the past year or so, the Hongkong stock market has experienced violent fluctuations, aggravated, in no small part, by the Mexican crisis and the Barings incident. How can Hongkong, a highly open market, increase its ability to buffer itself against external financial factors and turmoil?"

It is necessary, she said, to expand its capital markets, but not so as to attract financial diseases. Because "when Hongkong and Macau are reunited with the motherland in 1997 and 1999 on the basis of the 'one country, two systems' philosophy, many financial centers in Guangdong—like Guangzhou, Shenzhen, Shantou—will circle Hongkong like satellites. Therefore, Hongkong's financial business can be expected to radiate to inland China from the Pearl River Delta network."

### **Corporate**

## **Derivatives losses fuel Gemina-Ferruzzi merger**

Italian authorities have opened an investigation on the merger of the former Ferruzzi group and Gemina holding, a \$25 billion operation engineered by Enrico Cuccia's Mediobanca. The investigation was prompted by suspicions that Gemina is hiding huge losses in derivatives operations, the Oct. 16 *Corriere della Sera* reported.

Gemina's investment fund, Gemina Capital Market, officially reported in 1994 about \$150 million in losses on roughly \$1.1 billion worth of derivatives contracts. Investigators suspect that losses could be much larger, especially if an extrapolation is made for Gemina holding, which in 1994 reported \$7.3 billion in derivatives contracts.

Such developments have led investors to liquidate stocks of all companies connected to Gemina, which include the group of Italo-Venetian oligarchical dynasties such as Agnelli, Pirelli, Pesenti, and Assicurazioni Generali. On Oct. 15, Olivetti stocks plunged 9%. During October, Gemina plunged 26.8%; Fondiaria, 23.5%; IFI (Fiat), 22.6%; Montedison, 18.1%; SAI (insurance), 17.8%; Fiat, 15.3%; and Generali, 7.7%.

## **Briefly**

● **GERMAN FARMERS** protested losses of over \$6 billion so far this year because of lost exports caused by currency speculation, primarily against the Italian lira and the French franc, in Bonn on Oct. 16. Over 3,000 farmers demanded that the European Commission help compensate these losses, and asked for changes in the tax system.

● **ESTABLISHMENT** law firms in New York and London are preparing a series of cross-Atlantic mergers, to lessen competition for "the lucrative international privatization and project finance work," the Oct. 16 London *Financial Times* reported.

● **COMMERCIAL BANKS** will have problems surviving the transformation of the world markets, Anglophile Deutsche Bank Chairman Hilmar Kopper said at an Oct. 16 Frankfurt meeting of entrepreneurs.

● **CHINA** hosted the first Sino-Russian technology and economic trade fair in Haikou, Hainan Province, China News Agency reported on Oct. 20. Russia introduced 60 new products, including space navigation equipment, high polymer materials, and advanced agricultural technology products.

● **WARREN BUFFETT** said on Oct. 18 that his holding company, Berkshire Hathaway, will not exercise an option to convert \$140 million of Salomon preferred stock into 3.7 million shares of Salomon common stock, even though it stood to make a profit. The decision is widely seen as a move by Buffett to bail out of Salomon.

● **THE RUSSIAN** far north "will die soon," if urgent measures are not taken, president of the Far North and Polar Cities Union Igor Shkipper said, Russian TV reported on Oct. 18. On Oct. 10, the Federation Council announced that the government has so far provided the northern territories with only 77% of the oil supply, 63% of coal, and 64% of food allotted to them in the 1995 budget.