

Business Briefs

Finance

Stronger monitoring of capital flows sought

Chinese Vice Finance Minister Jin Liqun called for stronger monitoring of short-term capital flows and for reform of the international financial structure, *China Daily* reported on March 18. Jin spoke at the first meeting of finance and central bank deputies from nine members of the Association of Southeast Asian Nations (ASEAN), plus China, Japan, and the Republic of Korea. The "nine-plus-three" meeting was proposed by Chinese Vice President Hu Jintao.

Jin said that there are some defects within the affected economies, but also serious deficiencies in the international financial system, especially the swings of huge volumes of short-term capital flows. "International efforts on crisis resolution and prevention cannot be effective if their focus is just directed on domestic issues of individual economies, while marginalizing destabilizing factors external to those economies," he said. "Financial markets would not swing so wildly if financial institutions were more closely monitored. This has particular relevance for emerging economies, as an interplay of domestic financial-sector weakness and international capital flows have even more violent impacts."

Jin added that "it is in the interests of every economy to cooperate closely with each other in strengthening the monitoring of short-term capital flows and mitigating the potential violence of financial-system turmoil."

Technology

Superconducting storage system ready for delivery

An important large-scale application of the phenomenon of superconductivity is now a commercial product, American Superconductor announced in early March. It has shipped its first industrial Magnetic Energy Storage system to the STEWEAG electric utility in Austria.

Electricity is a commodity that, in general, cannot be stored, but has to be constantly produced for use instantaneously. When there are even slight interruptions to the flow of power, or a drop in the voltage, industrial facilities can come to a standstill, as their electrical equipment shuts down into a safe mode, to protect itself from surges. For the aluminum foundry in Gleisdorf, Austria, this problem is severe during the spring, when storms produce much lightning.

The superconducting electromagnetic electricity storage system will be housed in a portable trailer at the foundry, and will sense any voltage reduction in the plant's delivered power. Most reductions last less than two seconds. When a momentary disturbance is sensed, supplemental power will be provided, preventing a plant shutdown. The magnet, made of low-temperature superconducting wire, will be powered up, and then will remain so indefinitely without degradation until the power is needed. Conventional copper wire would dissipate the energy, producing waste heat, and have to be continuously re-powered at some expense.

Middle East

Africa, Eurasia start up electricity network

On March 16, Egyptian President Hosni Mubarak and Jordanian King Abdullah bin Al-Hussein officially inaugurated an electricity network link between Egypt and Jordan in Taba, Sinai. The link is part of an agreement to connect the electricity networks of Egypt, Jordan, Iraq, Syria, and Turkey signed on Aug. 13, 1996, and has expanded into an initiative to link Africa and Asia with Europe's Mediterranean Electricity Pool.

The North African grid (Libya, Tunis, Algeria, and Morocco), which is expected to be finished in 2000, had already been linked through Morocco to Spain, with a cable under the Strait of Gibraltar, in August 1997. Egypt and Libya were linked in May 1998. Syria and Jordan are expected to be linked in 1999, as are Syria and Turkey. Turkey is linked across the Bosphorus Strait to "European Turkey" and Bulgaria. The Jordan-Iraq network is expected to be delayed until 2002,

because of the UN sanctions against Iraq. It could be connected to Iran in the future.

Israel has been excluded from this project since Prime Minister Benjamin Netanyahu came to power in 1996 and inaugurated his anti-peace policy.

The initial project, which has so far cost \$500 million, is being partially financed by the Arab Fund for Economic and Social Development, headquartered in Kuwait. The Islamic Bank of Development (based in Saudi Arabia) is also contributing to the project.

The Gulf countries have also started a similar project to link the six member states of the Arab Gulf Cooperation Council, at a cost of \$1.7 billion.

Infrastructure

China discusses huge water-diversion project

Delegates to the just-concluded National People's Congress, and the preceding Chinese People's Political Consultative Conference in Beijing, from the province of Qinghai in western China, proposed an enormous, strategic project to divert water from the Yangtze River to the Yellow River. The motion for the project was submitted to both bodies.

Han Yingxuan, chairman of the Provincial Political Consultative Conference of Qinghai Province in northwest China, called for a vast project to pipe water from the Qinghai-Tibet Plateau. "Putting an end to the water shortage in the north is of strategic significance to the sustained social and economic development of our country," he said.

Qinghai Deputy Governor Wang Hanmin told *China Daily*, in an exclusive interview on March 18, that China's strategic plan to divert water from southern rivers to northern areas originated in the 1950s. "Compared with plans to divert water from the lower or middle reaches of the Yangtze River, Qinghai's proposal, upon implementation, will ensure more regions in northern China benefit," Wang said.

The project of channelling water northwards, known as the "western route plan," has been debated for decades, because of the

GERMAN Defense Minister Rudolf Scharping criticized the International Monetary Fund, while in Washington on March 15. In the Balkans, he said, where NATO is trying to support Macedonia, the industrial privatization policy which the IMF advocates, could cause an unemployment rate of 50%. This policy discredits the West and NATO.

ROMANIA is close to declaring default on more than \$2.4 billion in government and private foreign debt, as the currency, the leu, has lost one-third of its value since the beginning of the year. President Constantinescu was quoted in the March 18 *Wall Street Journal*, "A market economy is not worth it if it creates profound social fracture."

AUSTRALIAN Deputy Prime Minister and Minister for Trade Tim Fischer wrote that, "at present I do not consider that the government should be actively promoting the [Eurasian] Land-Bridge concept," in response to a Parliamentary inquiry. The government had never before mentioned the existence of the project.

THE GUATEMALAN banking system is illiquid, a Guatemalan government official told *EIR*, in a discussion of Ecuador's crisis. Five financial houses have gone bankrupt, and another two are about to follow, and no one is extending loans to anyone, the official said.

INDIA has asked Kazakhstan to offer Indian oil firms projects in the petroleum sector, and to give them equity participation in upstream projects. India is the sixth largest energy market in the world, and over 40% of its commercial energy requirements are provided by oil and gas.

BRAZIL'S Minas Gerais, "the only state in which electrical power has not been privatized," was also "the only state not affected by the power outage" on March 11, that left 40% of the country without electricity for several hours, *O Globo* reported in its March 17 edition.

huge investment and engineering work required. Drought has become an increasingly serious problem in northern areas, with the seasonal dry-up of the Yellow River in northern China becoming longer over the years.

Han Yingxuan said that more than 80% of direct water runoff in China takes place in the south, where cultivated land accounts for just 40% of the country's total. "The water shortage prevalent in vast areas of China has strangled economic development," he said. Han suggested piping water from the Yangtze River and its upper-reach subsidiaries on the Qinghai-Tibet Plateau into the narrow Yellow River in three stages. Once the project is finished, 110 billion cubic meters of water, twice the current volume of the Yellow River, can be piped north each year, and "this would effectively put an end to water shortages in the north," Han said.

Lu Qiang, a member of the Chinese Academy of Sciences, is investigating underground water resources, especially for drinking water, for the northwest. Lu said that the Xinjiang Uygur Autonomous Region alone boasts twice as much underground water as the volume in the Yellow River.

Agriculture

Free trade threatens Croatian production

In the context of Croatian admission to the World Trade Organization (WTO), Croatian agriculture is being hit hard. Tariffs on the import of almost all agricultural products are to be lowered from 35%, to European Union duty rates of 20.8%. In Croatia, import duties for meat are currently 66%, milk 33%, meat products 75%, and beverages 80%. Deputy Agricultural Minister Miroslav Bozic, who is heading the talks with the WTO on agriculture, announced that this will cause "a certain degree of disorder."

The Croatian Parliament had just ratified a system of agricultural stimulation and direct subsidy payments for farmers, which will not mean very much under these new conditions. Already, farmers are in an uproar, because they have not been paid by the

state and other manufacturers for last year's harvest. Farmers from the main agricultural areas of Croatia, the war-damaged eastern regions of Slavonia and Baraja, had planned a big demonstration and road blockade at the beginning of March, but it was postponed because the government has said it will pay.

In the past, imports made up an increasing amount of Croatian food consumption, while the development of domestic agriculture was neglected, due to powerful trading conglomerates in the country. With these new WTO agreements, protection for domestic agricultural production will be effectively ended.

Nuclear Energy

Taiwan okays fourth power station complex

Not yielding to anti-nuclear protests that had sparked riots outside the parliament in 1996, the Atomic Energy Council of Taiwan on March 17 approved the construction of the fourth set of nuclear power plants on the island.

The council studied the issue for 17 months, and had more than 100 experts assess the safety of the plant design, during which it amassed 9,000 pages of documentation. It concluded that the design "adequately ensured public health and safety." The two reactors will be supplied by General Electric Co., under a \$1.8 billion contract. The total cost of the project is \$4.8 billion.

The reactors are slated to be built in Taipei County's Kungliao township, on the Pacific coast. A major demonstration by Kungliao fisherman and other "activists" is slated for March 28, the 20th anniversary of the accident at Three Mile Island in Pennsylvania. When the construction permit was issued, the Taiwan Environmental Protection Union denounced it and said it would mobilize 30 anti-nuclear groups to stage protests and demonstrations.

If construction goes according to plan, the first unit will go online in 2004, and the second in 2005. Taiwan has six other reactors, accounting for 24.8% of the island's electrical output.