

Business Briefs

Petroleum

Russian oil investment needs are outlined

Russian Prime Minister Viktor Chernomyrdin told the Greater Houston Partnership, a business group of about 500 corporate executives, in Houston, Texas on Aug. 30, that Russia will need about \$65 billion by the year 2000 to stem its steep slide in crude oil production. He said that Russia was eager to improve the business climate for foreign investment. "You will see a turn for the better very soon. . . . The process is under way," he said.

Chernomyrdin said Russia wants to deal primarily with oil companies that can offer expertise in exploration, production operations, refining, and marketing. He added that companies seeking to do business in Russia must be willing to take a long-term approach, reinvest in the local economy, and supply the domestic market.

Chernomyrdin said that at least \$12 billion is needed to rejuvenate thousands of idled fields, which could return a profit within two to three years; \$10 billion is needed to increase oil and gas production in existing fields; and \$5-7 billion is needed each year between 1995 and 2000 for exploration of new fields.

Trade

Iran woos India for expanded cooperation

The government of Iran continues to woo India with promises of expanded economic and technological cooperation. Iranian Ambassador to India Ali Reza Sheikh Attar, in an interview with India's *Economic Times*, encouraged Indian companies to take advantage of the policy of the Iranian government to favor Third World and Islamic countries in matters of technology and product imports. He noted that the Rafsanjani government has launched a program to revive industries through a five-year plan that involves impressive investments in industry, agriculture, and social sectors.

"Indian firms can hope to take away a significant portion of these," he said. "Countries

like India and China have a clear advantage since they are the most industrially advanced among the Third World. . . . Indian technology could be very useful to Iran since it has not simply been copied from the West, but developed from significant research efforts."

Currency Speculation

Salomon Bros. playing with Swedish state debt

Salomon Brothers investment house in recent months has been playing a high-risk game in buying and reselling huge volumes of Swedish state debt denominated in non-Swedish currencies, according to financial sources in Stockholm. The state eliminated restrictions on how much of its debt can be issued in foreign currencies last November when the krona was floated and the Riksbank exhausted its foreign currency reserves in a futile effort to hold the krona within the Exchange Rate Mechanism against the attack of speculators.

"Sweden has added a staggering 230 billion krona [roughly \$29 billion] in foreign debt in the past six months, as it has financed a ballooning state budget deficit and borrowed abroad to rebuild foreign central bank reserves after November's debacle," noted one Stockholm banker. Total net debt in foreign currencies today stands at 625 billion krona, and interest on this is running at about 50 billion krona a year.

"The recent flap over leaked IMF [International Monetary Fund] country appraisal demands for a more severe government austerity of SK 20 billion in cuts instead of the planned SK 10 billion is focusing financial markets on the reality of Sweden's situation. It is not like the United States, simply because the Swedish krona, unlike the dollar, is not the currency of world trade, so Sweden must be very, very careful should the krona collapse, as this means the relative cost of servicing this huge non-krona debt will explode out of control. The central bank and the government are in an impossible bind. They must dramatically cut interest rates to try to bail out the banking system and stop the collapse of the economy and the bulging unemployment costs to the state. But this threatens a run on the krona, already

at postwar lows against the German mark. If the krona collapses, the debt costs to foreign creditors explodes out of control." At the current rate, by 1994 Sweden will have an annual state deficit of 20% of GDP, the highest of any OECD nation.

Saudi Arabia

British propagandizing financial crisis

The precarious financial crisis of the Kingdom of Saudi Arabia is being intentionally played up by the British, in an effort to undercut various American-Saudi deals and arrangements, an informed observer told *EIR*.

He recalled that it was the British who originally began the "Kuwaiti democracy" campaign in the early 1990s because the Kuwaitis had refused to give shares in Kuwait Investment Fund holdings in European companies to the British. The British had hoped to use these "Kuwaiti shares" as a way of penetrating "united Europe," and when the Kuwaitis repaid military debts to the British in cash, the British began leaking scandals against the same "reactionary conservative Kuwaiti sheikhs" whom the British had rushed to defend in the Gulf war. Similarly now, the source said, the British are angry that the Saudis are making various big arms contracts with the United States, and that certain deals might be made that are perceived to be against British interests.

This source foresaw "hard times ahead" for the Saudis, with possible conflicts and tensions erupting on its borders with Kuwait, Qatar, Bahrain, and Yemen.

Health

EC prepares medical aid effort for East

Medical assistance to deal with the health emergency in Russia and the Caucasus will be supplied by the European Community, the European Commission in Brussels announced on Aug. 26. The aid program will be carried out

by relief organizations upon receiving funds and the mandate of the commission.

Vaccines to fight the epidemic spread of diphtheria, cholera, tuberculosis, meningitis, and sporadic cases of bubonic plague will be sent to the worst regions, which, as an EC spokesman explained, are mostly congruent with the ethnic and other war zones on the territory of the former U.S.S.R.

The health situation of the entire population in the East has reached an alarmingly low level, opening the door to spread of serious diseases among larger parts of the population. Four out of 10 Russian hospitals are without any warm water supply, which increases the danger that patients may contract additional infections. This is occurring amid a deepening economic collapse and worsening living standards throughout the East.

Russia

Civic Union calls for new economic program

The Civic Union grouping called for an economic program to prevent the destruction of Russia, at a press conference on Aug. 26. Civic Union spokesman Diskin emphasized that the economic "shock therapy" policies of Yegor Gaidar, the former acting prime minister, had led to precisely the sort of destruction which the Civic Union had warned about a year ago. "If we fail to take a realistic view [of Russia's economy], by September-October very big troubles will befall us," he warned.

Diskin characterized the "winding down" of investment in the state sector as "the Latin Americanization of the Russian economy." According to Diskin, Russia has irreversibly lost 10% of its industrial potential, including some of its high-technology potential.

"Over the last six months alone the real income of the population dropped another 10%," Diskin said, with a majority of the population living below the poverty line. "The natural resources of the country used to be exchanged for imported grain and butter, while today they are exchanged for Mercedes, Volvo, and Porsche cars that are so plentiful in the streets of Moscow." He added, "Although the destruction of the economy did begin under

Brezhnev, it is being triumphantly carried on by young party publicists who now rule the country and dogmatic proponents of market economy who had worked for many years on the staff of the CPSU Central Committee and who now teach us how to regulate the exchange rate of the ruble in a closed economy." He named IMF darling and Russian Finance Minister Fyodorov.

Anyone who even mentions involvement of the state in the economy, noted Diskin, is immediately denounced in the media. "I would even say that today, as regards ideology of economic policy, we witness manic-depressive psychosis. No one can analyze the reality; everybody resorts to ideological clichés."

Diskin emphasized that the Civic Union has consistently presented an economic program based on building small and medium-sized businesses.

Weapons Trade

China role as arms supplier declines

China now ranks only a "distant tenth" as a supplier of arms to the Third World, according to a report issued July 19 by the Congressional Research Service. The CRS reports that since the Gulf war against Iraq, "the value of Chinese arms transfer agreements with the Third World have fallen dramatically, registering only \$100 million in 1992 compared to about \$2.3 billion . . . in 1990."

Chinese arms agreements with the Third World peaked at \$5.6 billion in 1987, and China "ranked fifth among all suppliers in the value of its arms transfer agreements with the Third World from 1989-92." The Chinese arms transfers fell sharply in 1991-92 "because Russia replaced China as Iran's preferred arms supplier" and Iraq was barred from arms purchases by the U.N. embargo, and there was no arms purchaser outside the Middle East to offset the loss for China.

However, China's missiles and "its willingness to sell them" has been of continuing interest to certain Third World countries, the report states, and its position on the Missile Technology Control Regime is "ambiguous at best."

Briefly

● **EXXON CORP.** said on Aug. 30 that it is forming an international bidding consortium to evaluate five blocs in the southeast Tarim Basin in the Uygur Autonomous Region of Xinjiang Province in China for oil and gas exploration. The acreage was first offered by the China National Petroleum Corp. last spring; bids are due by Oct. 31.

● **THAILAND'S** Prime Minister Chuan Leekpai led a delegation of 200 on a 10-day visit to China beginning on Aug. 25, the *Bangkok Post* reported. The visit is aimed at expanding economic cooperation in trade and investment. Under discussion is a plan to improve transport links among Thailand, China, Burma, and Laos.

● **UGANDA** has an estimated 2 million people, out of its 17 million population, are infected with AIDS, according to the head of the AIDS Information Program.

● **BRITAIN'S** plan, announced Sept. 2, to allow private companies to manage 12 prisons, has angered prison officials, UPI reported. John Bartell, a spokesman for the Prison Officers' Association, said that the prison service is being starved of funds. "We are having to shed fully trained prison officers in order to cut costs and that in turn is leading to less supervision in British jails."

● **GERMAN** health officials are concerned because a species of rat that was virtually nonexistent in western Germany before the fall of the Berlin Wall, has made a comeback, coming from the eastern part of the country. This species is one of the major transmitters of bubonic plague.

● **RUSSIAN SOLDIERS'** complaints about the worsening food supply are increasing, *Krasnaya Zvezda*, the Russian Armed Forces journal, reported Aug. 27. In some regions, soldiers haven't seen fresh vegetables in months, and often, fresh meat isn't available for up to four weeks.