

Business Briefs

Banking

Bundesbank urges return to 'traditional' banking

Johann Wilhelm Gaddum, vice president-elect of the German Bundesbank, made an unusual appeal for a return to traditional methods of banking, away from recent innovation, in a speech in Bremen in September. He called for a reconsideration of the rules for industrial and construction financing.

A drop in long-term investments has been accompanied by the growth of over \$10 trillion in derivatives speculation.

Gaddum attacked the trend in many OECD countries in recent years to flood the markets with financial innovation, leading people to ignore basic rules of banking and credit. "For me, these include the rule that long-term investments must also be financed over the long-term. Countries which have been more open to these innovations than Germany have had to learn costly lessons," he said. He noted that more than 80% of all German corporate long-term lending is still made at comparable rates, not the highly risky short-term practices now prevalent in many countries.

Trade

Germany and China sign economic cooperation deal

Germany and China signed an economic cooperation agreement on Sept. 23, which emphasized that economic links between the two countries were becoming increasingly important, Reuters reported. German Foreign Minister Klaus Kinkel told Chinese Minister for Trade and Economic Cooperation Wu Yi, who was leading a delegation to Germany, that he hoped China's new economic openness would be accompanied by increasing political openness and an improvement in human rights. Both ministers said there was room for significant expansion in bilateral trade.

China has been the biggest buyer of German goods in the Asia-Pacific region this year. Germany is China's largest European custom-

er, with imports this year worth over 12 billion marks (\$7.5 billion). On Sept. 22, after a two-day trade fair in Leipzig, 11 contracts were signed for the delivery of German plant and equipment to China. This brought to 3.8 billion marks the total of Chinese orders to Germany since Economics Minister Günter Rexrodt led a trade mission to China in March.

At a Sino-German fair held later in Cologne, German companies were expected to sign contracts worth \$500 million with Chinese enterprises, including for the production of two ships in an east German shipyard (likely Rostock), and for iron and chemicals production, according to German radio reports.

Fusion Energy

New tokamak tests prepared at Princeton

Physicists at the Princeton Plasma Physics Laboratory (PPPL) will be conducting the world's first fusion experiments in the Tokamak Fusion Test Reactor (TFTR) utilizing fuel comprised of equal parts of deuterium (D) and tritium (T). This new phase, which is planned to run through most of 1994, will allow unprecedented studies of plasma behavior under reactor-like conditions, according to a Princeton press release.

The TFTR is expected to produce 5 million watts of fusion power. This amount is three times the D-T fusion power produced in 1991 by the Joint European Torus tokamak, using a more dilute tritium mixture. In 1994, PPPL researchers expect to increase TFTR's fusion power output to 10 million watts, attaining the device's 1975 design goal.

Scientists predict that self-heating of plasma by alpha particles is likely to be observed for the first time in TFTR. Each D-T fusion reaction produces one neutron and one alpha particle. Neutrons leave the plasma carrying approximately 80% of the fusion energy produced. This energy would be converted to heat for the production of steam in a commercial fusion power plant. The positively charged alpha particles, carrying 20% of the fusion energy, remain trapped in the magnetic field and, through collisions, transfer this energy to the

remaining D-T plasma. The confinement of the high-energy alpha particles in the magnetic field is vital to the eventual production of self-sustained, i.e., "ignited," plasmas needed for the next-generation fusion devices.

In the Summer 1993 issue of *21st Century Science & Technology*, Dr. Stephen Dean gave a report on the current U.S. fusion energy programs and their prospects.

Zambia

WHO predicts labor shortage caused by AIDS

According to a World Health Organization study Zambia will suffer a labor shortage because of AIDS by the turn of this decade. The study revealed that 15,420 of the 51,406 workers of the Zambia Consolidated copper mines will be infected with AIDS by that time. Fully 10% of all children in one of the country's major districts are AIDS orphans.

The AIDS epidemic, according to Kara Counseling and Trust, is being spurred by the International Monetary Fund's structural adjustment programs, which are throwing women and children out onto the streets and into prostitution. "They are on the streets and try and live above the hardships brought about by adjustment programs," a spokesman for the group said.

Russia

Drop 'shock therapy,' advises Brzezinski

Former Carter National Security Adviser Zbigniew Brzezinski said that Russia and Ukraine should follow "directed economic growth on the Korean model, for example, rather than on the Polish example," in an interview on the MacNeil-Lehrer News Hour on Sept. 20. The "big bang" theory of economic transformation will create a "big mess," he said. The reform program has to be one in which the government is engaged.

"The Korean model involved essentially a

Briefly

directing role by the government, some generalized goals and targets being set by the government, and then the government deliberately using credit policy and subsidies to stimulate certain segments of the economy, while at the same time creating a free market," he explained.

Brzezinski said that "the advice we have been giving the Russians and the Ukrainians has created in Russia tremendous chaos. . . . The so-called big bang in Russia has produced very limited privatization and a small capitalistic class which is essentially parasitic. It's not a class that's investing and making the country grow. It's a class that's exploiting growth for its own benefits." In Ukraine, he continued, "we have essentially contributed to a stalemate by telling them to reform but by not being willing to help them.

"I think in both cases, some degree of reform from the top down in terms of government guidance, and loosening up the forces of creativity and innovation from the bottom up, with directed government guidance, is the way to go."

On Sept. 22, Carnegie Russian affairs analyst Dmitri Simes said in a National Public Radio interview that the International Monetary Fund role in the Russian crisis should be investigated because the agency is acting like a "rogue elephant." All of its demands on countries such as Russia sound good on paper, he said, but they translate into the destruction of state industries in a country with no "safety net" and are coupled with political demands which amount to "political interference with the internal affairs of large powers."

Airlines

Continental cuts back maintenance

"Continental Airlines has asked the Federal Aviation Administration for permission to make fundamental changes in maintenance procedures on its narrow-body aircraft, an FAA spokesman confirmed," the Sept. 20 *Houston Chronicle* reported. The paper quoted Mike Ciccarelli, spokesman for the FAA's regional headquarters in Ft. Worth,

who said, "They have asked for a different concept of maintenance, and we are approving it step by step without derogation of safety."

Some of the changes in procedure include "abbreviated daily walkarounds," instead of a several-hour-long daily inspection of all aircraft. Also, the airline will no longer perform "C and D checks," which involve the disassembly and reassembly of most or all of an airplane every few years. Instead, mechanics will check different parts over a period of time. Two Continental mechanics consulted by the *Chronicle* conceded that the new procedures would be "minimalist," but said they would not have any impact on safety.

The maintenance cuts are part of a large cut in routes and personnel announced earlier by Continental, which has emerged out of bankruptcy twice. Continental layoffs include 85 out of about 350 maintenance workers in Houston and 20 out of 79 in Cleveland.

Metals

Market confirms global depression

The current depressed situation in the base metals markets demonstrates the depth of the world economic depression. According to leading London metals trading companies, the recent falling prices for nearly all so-called industrial base metals, such as tin, copper, and aluminum, confirm the drastic lack of industrial demand for these essential metals.

"Copper stocks at the London Metals Exchange are enormously high, as they are everywhere. Someone recently tried a market squeeze which artificially lifted prices of copper for a while, but that failed last week and the price fall has resumed again," one metals industry source told *EIR* on Sept. 22. "Tin is hit by double normal China tin exports, which have hit a stagnant world demand situation, and huge market stocks. Aluminum has been hard hit by continuing Russian desperation dumping in western markets. In general, we see the current buildup of unsold metals inventories taking at least two years to reduce themselves, even assuming world economic recovery begins today."

● **JOB LOSSES** of unprecedented scope are approaching in the United States, according to a survey by the American Management Association of a representative sample of about 900 U.S. corporations. As many as 40-60% of U.S. companies could cut jobs by next July. Last year, the typical "downsizing" corporation cut employment by 8.4%, the highest figure since these studies began in 1987.

● **BOLIVIA'S TIN** industry (220 mines employing 35,000 miners), closed on Sept. 17 for an indefinite period as the tin price fell below \$2 a ton on the London market. The breakeven point for the industry is about \$2.30 a ton. The mines had asked the government to buy tin at a subsidized price, but the government says it lacks resources to do that.

● **FOUR CIGARETTE** companies have bought and now operate the Hungarian government's tobacco monopoly, the Sept. 24 *Wall Street Journal* reported. R.J. Reynolds and Philip Morris are among the companies which, with their advertising and commercial operations, play an increasingly powerful role in Hungarian society.

● **THE NICARAGUAN** government repealed a vehicle tax on Sept. 25 after widespread protests, and made a concession on its recent 25% increase in gasoline prices, ending a five-day strike by transport workers. But, according to the Sept. 25 *New York Times*, the government must cut services, which will detonate more protests somewhere.

● **THE BALKANS** faces severe hunger this winter, according to the U.N. World Food Program, which is seeking 450,000 tons of food relief for the war-torn region.

● **GENERAL MOTORS** has added another 50,000 hourly jobs to its list of cuts, bringing to 100,000 the number of jobs to be cut (about one-third of its work force), the Sept. 24 *Detroit News* reported. A company spokesman claimed the report is "purely speculative."