

# Business Briefs

## Aluminum

### Industry threatened by exports from the CIS

The aluminum industry is being brought to its knees by exports from the Community of Independent States of the former Soviet Union, warned David Morton, chairman of Alcan Aluminum of Canada, the world's second largest aluminum producer, the London *Financial Times* reported on Oct. 20.

Morton reviewed how the aluminum industry in the West has curtailed production by 1.4 million tons a year (one-tenth of its capacity), but stocks continue to accumulate at the rate of 1.8 million tons a year, because CIS states are now exporting 1 million tons a year to the West—three to four times more aluminum than in 1990.

"Thus, against a background of slow growth in demand, a correction to this surplus by western world producers would require a further cutback of about 15-20% of its production capacity—a staggering requirement," Morton said. "Unless the problem is tackled on a concerted and negotiated basis, the current conditions are likely to persist and bring this industry to its knees."

## Infrastructure

### Too much cut from U.S. railroads

"The immediate need to add tracks and increase terminal capacity was raised for the first time publicly at the Intermodal Association of North America's fall meeting," the Oct. 21 *Journal of Commerce* reported. "The comments suggested that decades of industry infrastructure shrinkage and poor management of railcars will have to be reversed if intermodalism is to continue three decades of continuous volume growth."

"For years we were trying to reduce capacity. Now we are in danger of losing business because we don't have room for it. We are running out of capacity on key routes. Left alone, the situation will get worse," Jim McClellen, vice president of strategic planning for Norfolk

Southern Corp., told the meeting. "Capacity constraints are not extensive, but they tend to block key lanes and markets."

Speakers identified bottlenecks at the U.S.-Canada border between Ontario and Michigan; the Los Angeles/Long Beach port area; the Tehachapi Pass between the Los Angeles basin and the San Joaquin Valley; the Hudson River Valley in southern New York; eastern Oregon; the state line of Washington and Idaho, just east of Spokane; western Indiana just south of Chicago; north of Atlanta toward Chattanooga, Tennessee; and central Nebraska. Dick Davidson, chief executive of Union Pacific Railroad, told securities analysts that his company was experiencing capacity constraints at Seattle; in the Blue Mountains of eastern Oregon; in California; in Memphis, Tennessee; and at the U.S.-Mexico border at Laredo, Texas.

The amount of track owned by class one railroads in the United States has dropped continuously over the past 60 years, from 429,000 miles in 1929 to 290,000 miles in 1980, to an estimated 210,000 miles in 1990.

## Australia

### Manufacturers' imports far outweigh exports

Australia remains one of the smallest manufacturing exporters in the western world despite an alleged growth in its economy in the past five years. Statistics from the Organization for Economic Cooperation and Development show that in 1992, Australia's manufacturing exports still ranked only 16th out of 20 "western" countries.

Australia remains a huge net importer of manufactures. In 1992, it bought twice as much as it sold, with a monthly import bill of almost \$3 billion. Australia's main exports are agricultural products and raw materials such as coal, gold, wool, beef, iron, aluminum, wheat, and oil.

The Australian media recently have been claiming that there are definite signs of recovery, and it appears that Prime Minister Paul Keating believes the propaganda. Keating told the Labour Party caucus on Oct. 19 that "economic recovery was accelerating but was 'pro-

ductivity laden,' and this explained why there had been only a modest improvement in employment."

## Europe

### Halve auto parts jobs, says study

Over 400,000 jobs must be eliminated in the European automotive components industry, according to a confidential study completed for the European Commission, the Oct. 18 London *Financial Times* reported.

According to the study, prepared by the Boston Consulting Group, the productivity of Japanese automakers is about 30% greater than that of European automakers, but the productivity of Japanese auto parts manufacturers is 2.5 times greater than in Europe. Redressing this productivity gap will require that employment in the auto components industry of Europe be reduced from about 940,000 at the present time to around 500,000 by 1999. Currently, 47% of European auto components manufacturing is in Germany.

## Speculation

### Derivatives mean instability, says analyst

Wilhelm Nolling, former member of the Bundesbank (German central bank) council, warned against the cancerous growth of financial derivatives, in a commentary in the Oct. 22 London *Financial Times* entitled "The Dangers of Capital Mobility." Nolling insisted that governments must "assemble measures to steer the financial community away from anarchy."

"All-out capital mobility is very far from being an unalloyed virtue," Nolling observed. "Explosive growth in international financial transactions has added sizably to the risk of economic instability. Aided by modern technology and growth in such areas as derivatives, these transactions have increased so much in speed, scope, and complexity that they vastly

# Briefly

exceed the level of international trade in goods and services.

"Untrammelled capital movements have been an important factor behind the two crises in the Exchange Rate Mechanism in September 1992 and July-August 1993. More generally, they can give rise to a dangerous political vacuum.

"It is no exaggeration to speak of an abdication of democracies in the face of anonymous, uncontrolled market forces . . . [in which] banks can be more dangerous than standing armies."

Nolling urged that governments "give thought to the idea of harmonized international controls to curb the activities of large-scale 'players' on the markets. . . . Additionally, a tax on speculative currency movements . . . could have a stabilizing effect. . . . Such a move would make speculators think twice before attacking defensive walls erected by central banks and elected governments."

## Middle East

### Arafat warns that lack of aid threatens peace

"The world must know that without help this peace is in danger," PLO Chairman Yasser Arafat warned in an interview with the Italian daily *L'Unità* on Oct. 18. "The economic situation is very bad," Arafat stated. "There is no food to be had in Gaza. In the Occupied Territories there is now almost 60% unemployment. We must start exercising power, though all the infrastructure has been destroyed. . . . But the [World Bank] allocation decided on is insufficient: \$2.2 billion over five years. That is not enough even for the police alone. It will not be possible to construct an airport or a port."

Asked about continuing economic problems, he added: "This is the main possibility for the opposition [to the accords]. Great potential is being established for exploiting poverty and for establishing dangerous and erroneous political stances. Erroneous ideas often flourish amid poverty and desperation."

In an interview with the Egyptian daily *Al-Musawwar* on Oct. 15, King Hussein of Jordan endorsed the use of nuclear power in com-

bination with a Red Sea-Dead Sea Canal. "This project would require energy resources unavailable to us or not possible for a certain country to possess. However, as part of a comprehensive peace these means, such as the use of nuclear power, may be reasonable and acceptable for water desalination."

Meanwhile, Israeli Finance Minister Avraham Shohat backed the World Bank approach. He warned against expectations that there would be massive investment in the Occupied Territories, in a press conference on Oct. 19. "I don't want to exaggerate expectations," he said. "I think there is a certain euphoria about investing money in the territories. I think people overestimate the possibility of doing it very, very soon. I want this vision to come to reality, but I think that it will take more time than we think."

Shohat, who is committed to privatizing Israel's economy, claimed the territories would have difficulty absorbing more than the \$600 million already pledged by 47 donor nations for 1994, the first year of Palestinian interim self-rule.

## Nuclear Energy

### New plant given go-ahead in Germany

The Upper Bavarian district administration in Germany authorized in mid-October a plan for the construction of a new nuclear research reactor of 20 megawatts that is to replace the old reactor at Garching, near Munich. It is the first official go-ahead for a new nuclear project in Germany in seven years.

While the final permits which meet the rather restrictive nuclear laws in Germany still have to be issued, the district administration ruled that the project is of essential importance "for the further development of science in Bavaria and for the competitiveness of the respective industrial and [other] productive firms."

The positive results of the new reactor would have to be rated much higher than any considerations over damage to "nature and the landscape," the district government explained. Such language has not been used officially in Germany since the 1986 catastrophe at Chernobyl in the former Soviet Union.

● **THE EUROPEAN** Commission has rejected cartelization of the Bischofferode potash mine in Germany. Commissioner Karel van Miert wrote to Mitteldeutsche Kali AG in east Germany, and Kali und Salz AG, a unit of BASF AG, in west Germany, to say their planned merger would violate EC monopoly laws. The merged firm would dominate two-thirds of the European market in combination with France.

● **INDONESIA** may have 500,000 people infected with HIV by 1995, Coordinating Minister of Welfare Azwar Anas said on Oct. 20, Reuters reported. The Health Ministry had estimated that up to 20,000 people were infected with HIV at the end of last year, more than double some previous estimates.

● **POTATO CROPS** are being threatened worldwide by a new outbreak of late blight fungus, the same fungus that caused the great potato famine in Ireland a century ago, the Oct. 24 *New York Times* reported. The blight particularly threatens the Third World, which lacks the resources for adequate fungicides.

● **ONE-FIFTH** of the population of Angola, 2 million persons, is threatened with starvation, according to U.N. officials and aid organizations. The famine has reached Somaalian proportions, "but the world seems to have forgotten Angola," one official said.

● **CHINA** is attempting to lure foreign investment into its space program, the Hong Kong daily *Wen Wei Pao* reports. The China Astronautics Industry Corp., by pooling funds with the big automobile groups of Japan and South Korea to set up factories, will closely integrate foreign astronautic and automobile industries.

● **E. GERALD CORRIGAN**, who recently retired as president of the New York Federal Reserve, will become chairman of Goldman Sachs's international advisory committee. "It is like being in a candy store," he said.