

Business Briefs

Infrastructure

German minister urges Paris-Moscow rail lines

German Transport Minister Matthias Wissmann said that the European Union is committed to a "rapid completion" of European high-speed rail networks, in his keynote speech to the European Railway Conference in Berlin on Oct. 6-7. If you want to have a European domestic market, he told 300 experts on rail and transport participating in the conference, "you have to create trans-European nets as arteries, from Madrid to Helsinki, from Paris to Berlin, and further on to Moscow."

Wissmann said that "the fundamental changes of the political landscape in Europe in the recent five years" are now posing "completely new tasks" for transportation policy. This is particularly true for Germany, he said, because it is becoming more and more a European hub for international economic and transport movements.

Wissmann added: "Further on, we are in discussions with Poland on the Berlin-Warsaw and Dresden-Wroclaw routes. These are routes which could be continued eastward to Warsaw and Moscow, and which will be continued in the future certainly. Here you see the structures of a future network, encompassing the whole continent."

Wissmann added that with the German parliament decision to build the Transrapid, Germany's magnetically levitated rail system, "a new chapter in the history of transport technology has been opened up."

Credit

Crédit Lyonnais to be bailed out once again

Only days after Crédit Lyonnais announced big losses, its investment certificate shot up 10.8% on the Paris stock exchange on Oct. 3. Bank President Jean Peyrelevade told market analysts, in effect, that the majority of the bad debt of the bank would be taken care of by the government, for a total bailout of 65 billion

francs. Peyrelevade claims to have a letter confirming the commitment of the government to the bailout, and that the plan will be operational at the beginning of 1995.

Investors ignored the announcement by the bank just days before it announced a 4 billion franc loss for the first quarter of 1994.

The French government has agreed to pitch in 4 billion francs in order to recapitalize the bank if the bank itself agrees to pitch in 5 billion francs, i.e., French taxpayers will continue to bail out the bank for its bad investments in the movie industry, Altus Finance, junk bonds, real estate, and the derivatives market.

The government offer followed demands by the new financial auditors of the bank that it increase reserves from FF 15 billion to FF 25 billion, mainly to cover loan losses.

The situation is not expected to improve for the bank, because it just hired Henry Kissinger as an adviser in its problems with Metro Goldwyn Mayer.

Poland

Foreign investors violate the law

Poland's Supreme Chamber of Control (NIK), which regulates industry, stated in early September that foreign capital often violates the law while investing in Poland. The controllers charged that companies with foreign capital do not satisfactorily improve the development of production for export, utilize modern technologies, or create new jobs.

Polish companies which set up partnerships with foreign firms often cannot adequately protect their own interests, the controllers said. For example, Polish companies lower the value of their non-monetary contributions to joint ventures, which in turn results in decreased profit share for themselves. Foreign partners delay making their contributions, that is, do not provide machines and equipment as well as modern technology.

Over 67% of the companies examined did not pay their taxes on time. Even though many companies did not provide the required contributions to the initial or share capital, they were exempted by the finance minister from paying

income tax. NIK stated that the activity of companies with the participation of foreign capital was not sufficiently supervised by the organ that is obliged to do so—the Ministry of Ownership Transformations.

However, no one in the NIK seems to be questioning the very principles of the government's so-called privatization program, which is allowing foreign "investors" to strip assets and exploit cheap labor in Poland. Prime Minister Waldemar Pawlak has been trying to stop the program of massive privatization in its present form, which has earned him a reputation as an anti-reformer. The Freedom Union (formerly the Democratic Union, comprised of pro-free market liberals, former Solidarity members) together with President Lech Walesa are mobilizing to force implementation of the program.

Technology

Slow funding for FEL laser, says agency

Funding for the free electron laser (FEL), a spinoff of the Strategic Defense Initiative, should be slowed down, according to a recent report prepared by the National Research Council for the Department of Energy (DOE). FELs are tunable lasers that can produce high-energy light at a variety of wavelengths, and many applications are envisioned for medicine and industry. An accelerator-generated electron beam is sent through a "wiggler" magnet to produce the FEL light.

When funding for the SDI stopped, FEL researchers requested funding from the DOE to build the huge accelerators required, and the DOE commissioned a study from the National Research Council. According to *Science* magazine on Sept. 16, some researchers have charged that the DOE "stacked the deck" by asking the council to "look only at the potential value of FELs for basic science rather than for industrial and medical applications."

"Our field is in danger of collapse," said one scientist. Another scientist said that the report seemed to focus on "an unstated agenda" at DOE to fend off requests for major investment, not on the broad potential of the FEL.

Briefly

● **THE EUROPEAN** Union, under heavy pressure from the French, in particular, reduced its agricultural land set-aside program by 2%, to 13%, because of grain shortages. The decision will bring 700,000 hectares (1.4 million acres) back into production.

● **JAPAN AIR LINES**, under new Ministry of Finance rules, has said it will soon disclose a 45 billion yen (\$450 million) loss from an investment in derivatives. The government has demanded greater disclosure to lessen financial "surprises."

● **RUSSIA** failed to gain new money from the International Monetary Fund, even as a German banker told the IMF annual meeting in Madrid that Russia stands at the brink of "economic chaos." The Oct. 4 London *Financial Times* reported that the Chernomyrdin government has been hiding the extent of credits it has issued to industry and agriculture in order to win IMF funds.

● **POVERTY** in the United States affects 39.3 million Americans, 15.1% of the total population, the highest level since the start of Kennedy's administration in 1961, the Census Bureau reports. It says it cannot figure out how, in an economy "growing since 1991," there could be a rise in poverty.

● **CHINA** will need to triple oil imports to 50 million metric tons a year by the year 2000, according Lu Boxi of the State Council development research center, *China Daily* reported on Oct. 3. By 2010, he forecast, China will need to import 100 million tons a year unless it finds massive new reserves.

● **GEORGE SOROS** on Oct. 4 predicted a collapse of the Japanese yen from 99 yen to "around 115 to 120" per dollar, after the U.S.-Japan trade "deal" reached on Oct. 1-2. The speculator, whose Quantum Fund lost \$600 million in February after a wrong bet on Japanese markets, said he is barely breaking even for 1994.

Finance

Leuschel warns of a 'salami crash'

Roland Leuschel from the Belgian Banque Bruxelles said that not only the derivatives market but the financial system in general are now heading into a "structural crisis," at a meeting in Munich organized by the Münchener Kapitalanlage AG in late September. The financial bubble will soon burst, "the countdown is on," he warned.

This time, Leuschel added, it will be a "salami crash," i.e., one which comes in several smaller pieces over a period of time. The parallels to 1987 are very strong and this time the crash could be initiated by a fall in the dollar, he concluded.

Several other bankers who were invited to address the public meeting on the question, "Are derivatives controllable?" answered, "Yes," and enthusiastically praised the establishment of a derivatives-based "tertiary capital market."

Business

Secret service wars raging over industry

Following the demise of the communist bloc, secret services internationally have reoriented toward industrial spying East and West, the Paris daily *Le Monde* reported on Sept. 30. The French services report that the Russians are very active in this domain. The former KGB still deploys some 20,000 agents, of which 5,000 are outside Russia, while the GRU (military intelligence) deploys 30 agents in France. This entire apparatus has been redirected into industrial espionage.

According to officers of the General Secretariat for National Defense in France, the "allies" are also infiltrating the country, targeting everything from high-tech industries and national companies to banks. "At the CIA, director James Woolsey does not hide that economic espionage has become the priority. He explained to the Senate last February that 40%

of the demands made by American executives to the CIA concerned the economic domain in the broad sense of that term." The United States, through the National Security Agency, deploys over 100,000 agents for this purpose, and the British, together with the Americans, exploit the Cheltenham center, which has the ability to intercept all European transmissions, the paper said.

Many private agencies have also been created recently. These often subcontract other, illegal operations, including phone taps and similar practices. One such agency is Parvus-ABC, which is a joint operation of former operatives from East and West agencies. Another sector which is engaged in industrial spying is that of international accounting companies, such as Arthur Andersen, whose job is to study the strategies and structures of top companies. The majority of such companies in France at this point are foreign owned, particularly Anglo-Saxon firms.

Environmentalism

Third World threatened with credit-nature swaps

Steve Rubin of Conservation International suggested credit-for-nature swaps, i.e., giving up a portion of a country's territory in exchange for receiving international credit, at the Fourth International Symposium on Ecology in Tourism in Lima, Peru in September. Rubin praised the debt-for-nature swaps that have been carried out in over 20 countries in Ibero-America, Asia, and Africa as a model for the program.

Rubin noted that Peru has had "\$30 million in aid frozen by the U.S. Congress since 1992, but now there is the possibility of unfreezing it—swapping it for nature." Rubin said his movement had the seal of approval of the human rights non-governmental organizations.

Gerardo Budowski, dean of the natural resources faculty of the U.N. University for Peace and former Unesco ecology chief, promoted eco-tourism at the symposium. He offered Costa Rica and Kenya as examples where "tourism" is supposedly providing a "primary source of foreign exchange."