

Business Briefs

Infrastructure

New waterway planned to link Rhine, Rhône

After study by four French Presidencies, a decisive step for the construction of a new canal that will link the Rhine and Rhône rivers was taken in early November with the formation of Sorelif, a company which will manage the canal after its completion, the German daily *Die Welt* reported in its Sunday edition on Nov. 12. The Rhine-Rhône canal will be built by Compagnie Nationale du Rhône and the French electricity supplier EDF.

According to the head of the French inland navigation association, François Dalaise, the 230-kilometer canal, as well as two other new waterway links, "Seine-North" and "Seine-East," are critical for the survival of French inland navigation. The Rhine-Rhône canal will make transport between Lyon in France and Mannheim in Germany "twice as fast and half as expensive" as today.

The mayor of Lyon, former Prime Minister Raymond Barre, emphasized that the Rhine-Rhône canal will connect France to the 3,500 kilometers of European waterways between Rotterdam and the Black Sea. The cost of the three new waterways will be about 60 billion French francs (roughly \$12 billion) and will be completed around the year 2010.

Investment

Investors have fled from derivatives

Investors have fled from highly speculative derivatives instruments, the Nov. 16 London *Financial Times* complained in a 12-page special insert dedicated to promoting all sorts of "innovative" speculative instruments.

In an introductory article, entitled "Derivatives: Evolution in the Shadow of Disaster," Richard Lapper assesses the derivatives market after the Barings Bank bankruptcy and other debacles. "Most obviously, the losses have made customers and banks more averse to risk, leading to a slowdown in turnover. 'You talk to mutual fund managers,' says Jerry Del Mis-

sier, head of interest rate and currency derivatives in Europe at Bankers Trust in London. 'They'll tell you they are getting calls daily from their clients asking them whether they have any derivatives in their portfolio. They are steering away from doing transactions because of this climate.' 'There is a lot of antipathy to more complex structures. Anything which is other than plain vanilla seems to ring warning bells,' says Ian Garrison, head of U.K. derivatives marketing at Société Générale in London. . . .

"The roulette version of derivatives has disappeared," says Paul Miron, head of European derivatives trading at Chase Manhattan.

Lapper writes that "derivatives specialists are now attempting to find new products which will deliver the same margins achieved in the interest rate market of 1992 to 1994. So far, at least, the search has not been successful."

Russia

High-speed rail a task for defense industry

High-speed railways are what the military-industrial complex should be converted to produce, the daily *Nezavisimaya Gazeta* wrote on Nov. 2. "Russia's military orders require only 15-20% of the capacity of its defense plants. In this situation, a high-speed rail line is exactly the field where our military-industrial complex should launch activity. This is real conversion, useful for both the firms and the country. It is better to bequeath to our posterity a world-class railroad, than mountains of rusting military equipment," Vladimir Nyrko wrote, in an article entitled "Road into the Third Millennium."

Japan today has 2,000 kilometers of high-speed rail lines; Europe 5,000 km; but Russia, none. The Russian Share Society for High-Speed Railways (RAO VSM) was set up in the late 1980s, and its first line is supposed to be Moscow-Novgorod-St. Petersburg, with possible extensions to Nizhny Novgorod, to the Caucasus, and west to Brest. But the project is going at a snail's pace.

More than 50 defense firms have received orders linked to high-speed rail projects. A plant in Tikhvin, which used to manufacture

platforms for strategic missile launchers, is now designing the "Sokol" ("Falcon") high-speed train. RAO VSM is committed to using domestic output, not purchasing rolling stock abroad. The price tag on the Moscow-St. Petersburg line alone, is \$3.5 billion. "New orders for construction of the new rail line will help to activate production. And production growth is the way out of the economic crisis. Of course, a high-speed railroad is not a magic wand, but it is one of many levers, by which we could give a powerful impulse to the development of our economy."

The only transportation technology cleaner than these trains, Nyrko said, would be balloon travel. "None of that carbon monoxide that Greenpeace is so upset about!"

Economic Policy

Italy said headed toward an IMF police state

Italy is headed toward a police state imposed by the International Monetary Fund, wrote former Socialist Massimo Pini, in the Nov. 11 *Il Giornale*. Pini was adviser for "Privatizations" in the Amato government, and for many years a board member of the State-owned conglomerate IRI.

"Today the only possible forecast," he wrote, "is that the chances for democracy will decrease more and more, and what is already a de facto police state will become a de jure one. . . . Decreasing the standard of living, transforming the productive structure into an all-export one, taking money out of the pockets of citizens and giving it to the State: This is the blood and tears program that the left and 'Providence men' [the "Clean Hands" operation run by former prosecutor Antonio Di Pietro] want to impose on us. This is the program of the International Monetary Fund, of the financial centers. But it is a known scenario: moving from an advanced society to underdevelopment. Elsewhere, it has the military to carry it out. Here, it will be a 'left' that is a real 'right.' "

Pini pointed to the "neo-communists" as the instrument of the coming IMF-imposed dictatorship.

China

Beijing to Kowloon rail line completed

China has completed a rail route from Beijing to Kowloon (off Hongkong), adding 2,500 kilometers of new track to its national railway infrastructure grid, the German press reported on Nov. 13.

The several-year project to construct the route was quite challenging from an engineering viewpoint: No fewer than 1,045 bridges and 150 tunnels had to be built, in order to meet modern standards for higher-speed transport by rail.

The project, which required investments of roughly \$4.4 billion, has been one of the biggest to date in the national Chinese railway program. The new route establishes direct inland transfer of passengers and goods, from the southern coast of China to Beijing, and from there to the northern regions of mainland China. The new route replaces a number of old rail lines, reducing the travel distance between the two end points of the route by approximately 1,000 kilometers.

Japan

Financial emergency is political, officials say

Japan's Economic Planning Agency head Isamu Miyazaki on Nov. 15 confirmed estimates that actual Japanese unemployment is about 4 million, compared to the official figures of 2.19 million, the German economic daily *Handelsblatt* reported on Nov. 16, under the headline, "Tokyo's Finance Ministry Declares Financial Emergency for the First Time."

Despite several huge spending programs, of close to \$600 billion, the unemployment and budget situation is getting worse. Tax revenue is much smaller than expected, and this will lead to a sharp increase in next year's budget deficit. In only two years the public debt has jumped from 38.4% of Gross Domestic Product, to close to 44%. In the 1996-97 budget plan, debt payments

will consume 21.6% of the budget.

A Japanese Finance Ministry official told *EIR* on Nov. 16 that "it is true that Finance Minister Masayoshi Takemura declared to a cabinet meeting on Nov. 15, that Japan is in a financial emergency," but he did this "to make a political statement, in order to get the other cabinet ministers moving, to slow the increase in their sections, of next fiscal year's budget."

"This has nothing to do with the banking system at all," the official said. "This is entirely about the budget crisis."

Energy

German Greens target energy monopolies

The Green party is calling for the "liberalization" of the German energy market, and for "breaking up" the monopolies of energy suppliers. The core of the program is a radical decentralization of energy markets and the decoupling of energy producers from energy suppliers, according to party spokesmen Joschka Fischer and Michaela Hustedt, at a press conference in Bonn on Nov. 13. Their plan would destroy advanced forms of energy production.

Between producers and suppliers, a single State-controlled "pool" would buy up electricity. The "pool" would guarantee every little producer of "alternative" energy in Germany a fixed, high price for its electricity. The electricity bought up by the "pool," would be distributed by a large number of private supplier companies.

However, there would be no price guarantees for the electricity generated in nuclear or fossil fuel plants. These plants would be forced to compete against each other by lowering prices, getting a price much lower than the fixed prices for "alternative" energy. Later, drastic energy taxes and "risk fees" would be added to the prices of nuclear- and fossil fuel-generated electricity.

Fischer admitted that energy prices for industry and households will rise sharply. "We are no fans of low energy prices," he said.

● **THE MASHHAD-SARAKHS** rail line will be completed on schedule, March 20, 1996, Iran's Minister of Roads and Transportation Akbar Torkan said on Nov. 10, the English-language page of the Iranian daily *Ettela'at* reported on Nov. 13. The line runs along the southern coast of the Caspian Sea and is an important section of the Eurasian landbridge.

● **FRESHMONEY** for eastern European infrastructure is urgently needed, European Investment Bank Vice President Wolfgang Roth warned on Nov. 13 in Brussels. He said that 93% of the special EIB fund for projects in middle and eastern Europe is already used up.

● **BRITAIN'S** living standards have had the biggest drop since 1982, according to the Central Statistical Office, the Nov. 16 London *Financial Times* reported. "Average earnings rose by an underlying 3.25% in the year to September. . . . Over that period, the average household needed a 4.3% rise in income simply to compensate for higher prices and taxes."

● **A STRATEGIC ENERGY** alliance is in the works, according to a joint communiqué signed on Nov. 8 by the Venezuelan and Uruguayan heads of State. The alliance will involve the State-owned Venezuelan Oil Enterprises and the Uruguayan National Administration for Oil, Alcohol, and Portland Cement.

● **THE RUSSIAN** government may request a four-year delay in the implementation of the total ban of chlorofluorocarbons (CFCs), and perhaps a total overturning of the ban, Russia's Interfax News Agency reported on Nov. 14.

● **EUROPEAN LABOR** cannot accept a "stability pact" that does not create new jobs, the delegates at a conference of all member unions of the European Trade Union Congress declared in a resolution passed in Madrid on Nov. 17. The official jobless rate in the European Union is 18 million.