

Business Briefs

Africa

Enron beats out South Africa in Mozambique

The George Bush-connected Enron Company in Houston, Texas has won a concession for the exploitation of natural gas in Mozambique after a lengthy tug-of-war with South Africa, the Nov. 3-9 South African daily *Afrikaner* reported, according to the U.S. Foreign Broadcast Information Service.

Enron is expected to attempt to sell the gas to South Africa at very high prices. The *Afrikaner* noted that the South African State power-generating company Eskom could have used the gas for generating electricity, but the Enron price is too high, according to Eskom. With little chance of Enron finding a buyer in South Africa, Enron will have to compress the gas to liquid form for transport. "It is an open question whether this sort of marketing will ever be viable, but it is apparently very important to the U.S. [Bush interests] to ensure that South Africa does not get the gas," the paper said. The natural gas is near Pande in the Inhambane district.

Pik Botha tried hard to get the concession for South Africa, just as he "saw to it that Mozambique was able to restore the transmission line to Cabora Bassa [dam] and export power to South Africa," the paper said.

Gold

Lease rate soars to historic highs

The gold lease rate (the rate at which financial institutions, in particular, banks, lease gold to those who want to borrow the metal) reached an all-time high of 6% on Nov. 27, the *Wall Street Journal* reported. "Never in the history of the gold market have these rates been so high," said Ian MacDonald, chief of precious metals trading at the New York branch of the Swiss *Crédit Suisse* bank. "Scarcity is such that we're recalculating lease rates every minute."

Normally, lease rates are well below 1%, but they started to rise sharply the week before Thanksgiving. The rise is attributed to a shortage of immediate gold supplies. Some Wall Street spokesmen predict that gold's price will increase sharply above the \$400 per ounce level; gold has been trading below that level for several years.

The way the gold market works is that central banks lend gold to dealers, for example, banks such as Rothschilds, J.P. Morgan, or Chase Manhattan. The bank-dealers, in turn, lease the gold to interested parties. The rate of interest charged is the lease rate. Frequently, the bank-dealers lease gold to gold-producing companies which "sell the gold forward," that is, sell it on the forward-futures market. This is gold that the gold producers expect they will return to the dealers out of their future gold production.

Some dealers now think that the central banks, which have lent out a significant amount of gold, are reluctant to lend out more from their reserves. This creates a chain reaction. In recent months, it has been forward sales of gold by gold producers, providing more gold to the market, which has kept the gold price from rising. If that supply of gold (which is in large part provided by the central banks) is removed, the resulting shortage could lead the price of gold to skyrocket.

Driving this process, is the accelerating financial disintegration, which has led the Anglo-Dutch oligarchy, grouped around the House of Windsor, to stampede out of speculative financial instruments into physical assets.

Russia

'Reforms' worse than World War II, says Lebed

The so-called economic "reforms" (imposed on Russia by George Bush, Margaret Thatcher, and the International Monetary Fund) have caused more devastation than World War II, Aleksandr Lebed wrote in a commentary in the German daily *Frankfurter Allgemeine Zeitung* on Nov. 30. Lebed is a nationalist and candidate for the State Duma (lower house of Parlia-

ment). During 1941-42, the worst two years of World War II, productive output fell by 34%; in 1992-95, three years of the reforms, productive output fell by 43%, he said.

National German radio Deutschlandfunk reported on Nov. 17 that the 50% collapse in Russian food production since the introduction of the "market reforms" in February 1992, was twice as big as the 24% collapse during Josef Stalin's forced collectivization in the 1930s. This year, agricultural production will shrink by another 10%.

The crisis has created pessimism among farmers, who might otherwise be creating family farms or non-collectivized farms. In 1994, for every 100 new private farms that were started, there were 103 farm bankruptcies. From the very beginning, Moscow showed absolutely no interest in supporting farmers. Every third private farm has no tractor, every sixth one has no combine; they get no loans, and therefore cannot invest in fertilizers, pesticides, or necessary infrastructure, leading to an enormous amount of their harvest being lost.

In addition, there has developed a tremendous disparity between costs and farm prices. The immediate result of this "scissors crisis" is horrendous debts. The radio quoted a Russian newspaper: "To say it openly, the State retreated completely from the village, and is watching from a secure distance as it goes under."

Fusion Energy

Budget cuts endanger projects in Germany

Several important energy projects, including the world's biggest international fusion energy project, the International Thermonuclear Experimental Reactor (ITER), are in deep trouble because of budget cuts.

Representatives of eight European Union nations, including the Netherlands, Sweden, and France, pushed through a motion to review the ITER project from a cost-effective standpoint at a meeting in Luxembourg in November. The meeting was supposed to discuss final arrangements for the ITER project, such as its

location; the eastern German city of Greifswald has been one of the prime candidates. If the majority of the EU countries decides at an upcoming EU meeting on the ITER in December that it no longer wants to participate, then "the project is dead. Germany cannot do it alone," German Minister of Science and Technology Jürgen Ruetters told the *Süddeutsche Zeitung* recently.

Ruetters said that nuclear fusion is very interesting, but merely for basic research, because the results would only show up in "30, 40, or 50 years from now."

Meanwhile, Ruetters has cut funds for the new Wendelstein 7-X reactor in Greifswald, whose design is the promising Stellarator approach to magnetic fusion. Several members of the Mecklenburg-Prepommeranian Parliament have bitterly complained against these budget cuts, which have also caused the establishment of the new Max Planck Institute for Plasma Physics in Greifswald to be postponed until autumn 1996. Funds for 1996, originally DM 109 million (\$68 million), were reduced by 10%.

The daily *Frankfurter Allgemeine Zeitung* reported on Nov. 29 that a team of Chinese engineers is currently dismantling the German fusion test reactor ASDEX in Garching, in order to reconstruct it at the South-Western Institute for Plasma Physics in Leshan in the Sichuan region, where China is improving its biggest fusion research facility, bringing in 500 scientists and technicians.

Eastern Europe

Moldova orders cutbacks in electricity use

Moldova imposed harsh austerity measures on Dec. 1, in order to conserve electricity through the winter months, banning its use at peak times and forcing businesses and shops to change their operating practices. The former Soviet republic traditionally imports 98% of its energy resources.

Because most of those regions and republics which import electricity from Russia are now required to pay in hard currency, usually

dollars, which is difficult for Moldova to come by, its debts to the state energy company, Moldenergo, are now at \$100 million. Domestic electricity output has fallen from 15.5 billion kilowatt-hours in 1990, to about 6 billion this year.

A government decree, triggered by a dramatic fall in domestic electricity output, instructed towns, villages, ministries, and enterprises to turn off electricity for three hours in the morning and five in the evening. The order will force industrial enterprises to work on weekends. Street lighting will be halved and office hours are being advanced to prevent businesses from operating in the late afternoon.

All companies are prohibited from using electric heaters during peak consumption hours, and saunas with similar heaters will be closed down. School and public transport timetables have also been changed to save energy.

Investment

German agency bans derivatives speculation

The Berlin-based Federal Supervisory Agency for the Insurance Sector banned derivatives speculation, in a letter on Nov. 24 to all insurance companies which announced a new set of regulations. Any speculative use of derivatives is prohibited. Future and option transactions will be allowed only in very restricted forms.

On the same day, the president of the Federal Supervisory Agency for the Banking Sector, Wolfgang Artopoäus, warned at a conference in Munich that the "susceptibility of the worldwide financial system for disturbances" has greatly increased due to globalization of production, worldwide deregulation, and a "flood" of financial innovations.

The curb on derivatives is not expected to have much practical effect, because investment in derivatives is massive, and the risk involved is already leading many to pull out of these instruments. However, it does indicate an acknowledgment of the problem.

● **POLAND'S** food industry is the target for 60% of all foreign capital invested in Poland, said Dr. Stanislav Kaj, president of the West Institute in Poznan, in a speech to a conference of the Agrarsoziale Gesellschaft in Göttingen in late November. Food processing is mainly in the hands Coca Cola, Pepsi, and Master Food; pasta is controlled by Barilla, owned by Nestlé.

● **THE AEG FIRM**, for decades the leading German producer of industrial components for the power sector, will close its headquarters on Jan. 1, 1996 and all remaining units will become separate legal entities, AEG chairman Georg Stoeckl said on Nov. 28. The AEG workers' council expects that 10,000 jobs will be lost.

● **COLOMBIA'S** Energy Minister Rodrigo Villamizar has offered to sell 10 electricity-generating plants to the highest bidders, *El Espectador* reported on Nov. 27. They produce 3.6 gigawatts out of Colombia's installed capacity of 10 GW. Villamizar recently proposed a 40% hike in energy rates to attract buyers.

● **ENRON'S** deal with India has been renegotiated, the *Bombay Business Standard* reported on Nov. 21. The Sena-BJP state government scrapped Enron's deal with the Dabhol Power Co. on Aug. 3. The new deal involves a sharp reduction by Enron in capital costs and change of fuel to make it less dollar-dependent.

● **AIDS PATIENTS** can no longer be refused treatment by doctors on personal safety grounds, the ethics committee of the Australian Medical Association said in a new code of ethics announced Dec. 1, the *Weekend Australian* reported. Currently, 19,000 of 17 million Australians carry the HIV virus.

● **INSURANCE** companies are selling off mortgage derivatives, in response to threatened downgrades of their credit ratings, the Nov. 27 *Wall Street Journal* reported.