

Business Briefs

Health Care

Epidemics, drug use in former Soviet Union

The collapse of health in the former Soviet states was presented in horrifying detail by *Newsday* journalist Laurie Garrett at the National Academy of Sciences Distinguished Lecture Series, in Washington, D.C., on Jan. 8. Highlights are:

- There is an explosion of the HIV virus, driven by intravenous drug use and the sex industry. Narcotics are cheap, because the drug traffickers are building up clientele.
- Of the 10 known strains of the AIDS virus, there are 8 circulating in Russia. In Africa, there are only three strains.
- The problem of alcoholism is growing. The average Russian consumed 3.7 liters a year when Mikhail Gorbachov began a campaign against drinking, in 1985. Today, the average Russian consumes 17 liters per year.
- Young women from the former Soviet Union are lured to eastern Europe with promises of jobs; once there, their papers are taken from them and they are forced to work as prostitutes. They line the sides of highways in small towns in the Czech Republic, for example.
- Tuberculosis has reached epidemic proportions, described as “genocide” by the TB director of Mongolia.
- The ratio of deaths to births is 1.6 to 1, and infant mortality is high. By the end of the century, the population may decline to the same level that it was in 1917.

Speculation

Gold price at lowest level since 1979

The price of gold was fixed at \$278.80 per troy ounce in London on Jan. 9, the lowest level since June 1979.

This is most unusual in a world financial crisis. In addition, according to Gold Fields Mineral Services, world gold demand rose by a hefty 16% during 1997.

During 1997, the Reserve Bank of Australia (Australia’s central bank) sold 167 tons of gold, while Argentina’s central bank sold 124 tons. Overall, “official institutions,” which consist primarily of central banks, sold 393 tons of gold.

But, a representative of the World Gold Council in New York told *EIR* that even the sales of official institutional gold would not, by themselves, have depressed the price of gold. He stated that the real culprits are “the hedge funds, including George Soros. They have been shorting gold.” The hedge fund leases, i.e., borrows, gold—usually at a very low lease-borrowing rate of 1-2%—either from a central bank, or from a “gold bank.” A gold bank is a commercial bank that leases gold from a central bank, and then, in turn, leases it to borrowers, such as hedge funds. The official stated that this brings extra gold flooding onto the market.

In an address, entitled, “The Hedge Funds,” to the Tenth Nikkei Gold Conference in Tokyo on Nov. 5, 1997, World Gold Council Manager George Milling-Stanley stated, “I am confident that we have experienced unprecedented levels of short selling by speculators this year. This is what has done the damage to the gold price. And the largest speculators are without any doubt the hedge funds.”

In December, *EIR*’s editorial called for governments to assert their sovereign power by burning the gold speculators. Russia, for example, could put a tax on gold exports, or Switzerland could announce that it would not sell its gold reserves.

Currency Markets

Asian nations debate dirigist measures

Many people in Southeast Asia are considering solutions to the financial crisis that were unthinkable just a few weeks ago, according to the *Sunday Times* of London on Jan. 11.

“We are at a point of dramatic action,” says Nilesh Jasani, of SocGen Crosby. According to the *Sunday Times*, a paper co-authored by Jasani and Manu Bhaskaran suggests that Indonesia, Thailand, Malaysia,

South Korea, and the Philippines may have to abandon floating currencies for pegs or capital controls. “At current levels the economic damage that could be caused by the market has reached proportions that cannot be tackled by simple liberalization of foreign-ownership rules or monetary/fiscal tightening,” they argue. “Governments, most particularly in Indonesia, and to an extent in Thailand and Malaysia, need to not only stem the fall, but pull the currencies back up by at least 20% for economic survival.”

Jasani and Bhaskaran warn that desperate governments may introduce capital controls or full exchange controls to save themselves from disaster—and they claim that such measures could doom Asia to a decade of lost growth; in fact, such measures are the minimum necessary step to defend national sovereignty, against the speculative sharks.

On Jan. 9, notes the *Sunday Times*, Thailand took the first steps toward tightening curbs on speculation by raising penalties for currency-trading violations and saying its central bank would “monitor” transactions by commercial banks.

Infrastructure

Maglev link proposed from Germany to Italy

A proposal for a trans-Alpine maglev line from Germany to Italy, through the Brenner Pass, has been made by Georg Brunnhuber, Christian Social Union member of the German parliament, according to the daily *Frankfurter Allgemeine Zeitung* on Jan. 5. A decision in principle to support the Brenner route for an Alps railway crossing, has been taken by the governments of Germany, Austria, and Italy, and the European Union as well, but there has been no decision on the technology or the funding.

So far, most of the debate among experts about the much-delayed project, has been around options for wheel-rail, high-speed technologies like TGV or ICE. The first proposal for a maglev connection was made in mid-1997, by Eckard Rohkamm, the chair-

PRIVATE SECTOR lending to infrastructure projects fell by almost one-third last year, due to the Asian currency crisis, the *Financial Times* reported. The value of financial deals for infrastructure projects completed last year fell to \$151.47 billion, down from \$223.9 billion in 1996. For the Asia-Pacific region alone, the fall in private bank funding to infrastructure projects fell by over 50%, from \$76.26 in 1996 to \$34.47 billion in 1997.

FRENCH UNEMPLOYED were evicted by police from protests at welfare agencies in almost a dozen cities on Jan. 10, but announced that they would continue a nationwide protest against the government. Socialist Prime Minister Lionel Jospin is faced with growing anger over double-digit unemployment and the budget cuts required for France to join the European Monetary Union in 1999.

'IMF CRIMES' are on the rise in Korea, according to the Jan. 10 *Korea Herald*, which reports that "economic turmoil" and layoffs have led to an increase in theft, burglary, violence, and suicide. "Coined 'IMF crimes,' these include the murder by a 30-year-old man of his wife, after their business in Seoul recently racked up 30 million won in debts," the paper reported.

NEW 'SUPER RICE' will increase rice production by up to 40%, the *Herald Sun* of Australia reported. Scientists in the Philippines made a breakthrough, solving a "plumbing problem" to allow rice stalks to carry enough nutrients to support twice as much grain.

CREDIT LYONNAIS is the French bank most heavily exposed in South Korea, according to a spokesman for the Société Générale. He told EIRNS that the Société had been chosen to represent French banks in the current international negotiations on the bailout of South Korea, not because it is the most exposed in South Korea, but because Crédit Lyonnais is, and its credibility is "below zero."

man of the Thyssen Industrie group, which is producing the main components of the German Transrapid maglev system.

Brunnhuber, who met with Rohkamm in December and discussed the project in detail, argues that a maglev system along the Brenner route, beginning in Austria at Kufstein, via Wörgl and Innsbruck, to Bressanone, Italy and on to Bolzano and Trento, could be built at half the price (14 billion deutschmarks, instead of 28) of a conventional train system, which requires a lot of tunnel construction and, therefore, will take longer to build.

The maglev train has a higher maximum ascending grade, 10%, and is therefore not dependent on tunnels, but can run along the natural contours of landscape, even in very mountainous areas. Most important, it can run at speeds of 200 kilometers/hour, and therefore provides an ideal vehicle for high-speed commodity transfer across the Alps. The 45 million tons that are expected to be transferred through there, by the year 2010, cannot be trucked across the trans-Alpine route, because of the limited capacity of the tunnels and highways. Therefore, it has been apparent for years, that a new rail link must be built, to shift commodity transport from road to rail.

Brunnhuber declared that the state government of Bavaria, where the maglev line would start, is backing the proposal, and that it has contacted the respective regional governments of Austria and Italy, to enter serious talks on a maglev option.

Central Asia

Presidents discuss regional cooperation

The Presidents of five former Soviet republics in Central Asia met behind closed doors in Turkmenistan on Jan. 5, to discuss greater cooperation in their oil- and gas-rich region, the *Times of India* reported on Jan. 7. The Presidents of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan were expected to sign a joint statement on regional cooperation, the Interfax news agency said.

The leaders discussed cooperation in the oil and gas industries, transportation, aviation, and communications.

Turkmenistan had opened a gas pipeline to Iran the week before, intended to be the first link in a larger chain. Turkmenistan, which has huge natural gas reserves, is desperately seeking a pipeline network, to export its gas to the rest of the world. Until the new pipeline opened, Turkmenistan's only export pipeline ran through Russia, and Moscow is reluctant to have Turkmen gas compete with its own exports.

Those taking part in the summit were Saparmurat Niyazov of Turkmenistan, Nursultan Nazarbayev of Kazakhstan, Asker Akayev of Kyrgyzstan, Emomali Rakhmonov of Tajikistan, and Islam Karimov of Uzbekistan.

Protectionism

'Russia should study work of Friedrich List'

What German economist Friedrich List said 150 years ago, is also relevant for Russia today, said Wolfgang Kartte, the former head of the German Anti-Cartel Agency, in an interview published by the Berlin daily *Tagespiegel*, on Jan. 6. Kartte is now a private adviser to the Russian district government of Vladimir, east of Moscow.

"What benefit, for example, would the unbridled free market have for Russia? They would be forced to import everything from the West, for 100 years, and would never develop production of their own. Friedrich List, the father of the German Customs Union [Zollverein], already said: If we do not protect ourselves from the cheap textile and steel imports from England, we will never be able to build up an economy of our own. It simply does not work without any customs."

"The homage which is paid to free trade, is mostly meant for the others, in the sense that you have access to cheap raw materials and then pump back the finished products for good money into the countries that are exporting raw materials," Kartte said.