

Business Briefs

Investment

Russia-China 'energy bridge' has U.S. role

Arkady Volsky, head of the Russian Union of Manufacturers and Entrepreneurs, speaking at a February conference in San Francisco, said that he hopes for a substantial increase in business between the American West Coast and the Russian Far East. In particular, Itar-Tass reported, "Volsky said the Americans showed much interest in a project of an 'energy bridge' between Russia and China, which was presented to the conference."

During the conference where Volsky spoke, 19 regional economic projects in Russia were presented. It was one of a number of special conferences on cooperation between U.S. states and Russian regions, which is being promoted in the framework of the Gore-Chernomyrdin Commission on inter-governmental economic cooperation, which met in early March.

Volsky said that when the Boguchanskaya hydroelectric station comes on line, for example, Russian electricity sales to China could double, from 40 billion kilowatt-hours per year, to 90 billion kwh. According to Volsky, "Presentation of the energy bridge idea made a huge impression on conference participants, who expressed interest in financing the project."

Biological Holocaust

New transgenic virus found in Australia

A new, highly infectious virus which kills unborn piglets has infected two workers at a piggery in Camden, near Sydney, Australia, the daily *Age* reported on March 9. The pig virus, in the same family as measles and canine distemper, has reduced litter sizes in one-third of the sows, and there has been an increased number of stillborn piglets and birth defects showing brain and spinal cord abnormalities. There are fears that the virus, which has shown an ability to mutate, could

spread rapidly in the human population, and have the same effect on human fetuses.

So far, the virus has been isolated to the piggery, but scientists have found that a large proportion of a local colony of bats has tested positive for the virus. Fruit bats in Australia are known to harbor two other transgenic viruses (i.e., able to jump species from animals to human): the equine morbillivirus, which killed two people in Queensland; and the Lyssa virus, which produces rabies-like symptoms, which killed a woman in 1996.

"A lot of the influenza viruses start in birds and adapt in pigs before entering the human population, and this could happen in this virus," said Dr. Peter Kirkland, the principal research scientist at the Elizabeth MacArthur Agricultural Institute in Camden. Details on the virus are reportedly to be published in the monthly journal of the U.S. Centers for Disease Control in Atlanta, Georgia.

Israel

Economic problems spur push for infrastructure

The collapse of the Israeli economy is kindling a broad debate on the need for infrastructure development in Israel. For example, a commentary by Daniel Bloch in the March 8 *Jerusalem Post*, called for the development of railroads.

The economic policies of the Benjamin Netanyahu government, and the anti-inflation policies of Bank of Israel Governor Jacob Frenkel, are contributing to the crisis, Bloch writes. Although the Asia financial crisis has hurt the Israeli economy, the most important factor in the economic decline is the "stalemate in the peace process." He says, "The rapid increase in the economic growth in Israel really started after the Madrid Conference, and even more so since the signing of the Oslo Accords. . . . It will take time for the resumption of the peace process, or for major change in economic policies, to have beneficial results on the trends of growth, exports, and employment. Therefore we need a quicker solution: investment in infrastructure."

Bloch calls for restarting various rail projects, including inter-urban railway systems, and for building a rail network in the central part of Israel, and from Ashdod to Hadera. He also calls for the construction of a mass transport system in Tel Aviv. The project should start immediately, he says.

On March 9, the *Jerusalem Post* reported that a "tilting train" has arrived in Israel, on loan from the German Adtranz company, for trials on service from Tel Aviv to Jerusalem, and Tel Aviv to Beersheba. Such trains are able to travel on winding track without slowing down, which would cut travel time on the Tel Aviv-Jerusalem line from 115 minutes to 55 minutes. Azi Feuchtwanger, chairman of the board of directors of the Ports and Railways Authority, said that it is absurd that the nation's two largest cities have no proper rail link. The use of tilting trains, he said, would require an outlay of only \$100 million.

Transportation

Union Pacific may refuse orders to 'solve' crisis

Union Pacific railroad may begin refusing to take new freight shipment orders within 30 days, to help relieve delays and congestion on its 23-state rail system, the March 12 *Wall Street Journal* reported. The threat to stop taking new shipments was included in the weekly filing by Union Pacific with the Surface Transportation Board, the Federal oversight agency.

In September 1996, Union Pacific became the largest rail firm in the United States, when it acquired Southern Pacific in a \$3.4 billion merger. The disastrous condition of the rail system is the culmination of deregulation policies.

Industrial firms are upset. Dow Chemical Co.'s manager of rail services procurement said, "Rail traffic that is not moving well is still better than traffic that is not moving at all." A switch to trucking costs around five times more on bulk cargo, and many trucking companies have already run out of capacity and warehousing. Du Pont's transport procurement official said, "We have plants running 24 hours a day, seven days a

week, turning out products. We really don't have the ability to delay shipments without shutting down our operations."

Union Pacific has also mooted turning over more of its business to other rail lines, but there are no remaining competitors in most regions. Recently, the firm said it would issue up to \$1 billion in securities to deal with basic long-term infrastructure deficits, including criss-crossing tracks and outmoded terminals in the Houston hub.

Russia

Chernomyrdin: Asia crisis makes planning impossible

At a Feb. 26 press conference, the day Russian President Boris Yeltsin fired several ministers from his cabinet and demanded that the 1998 budget be both implementable and implemented, Russian Prime Minister Viktor Chernomyrdin said that it would be a lot easier to ensure performance "if I knew what were in store for us this year." Unfortunately, he said, this is problematic in the world of "new market relations." As an example, he said, "Look at the crisis in the world! I mean the Asian crisis in the financial markets. It hit those who never thought it would hit them. It hit Russia, but not as hard as the others." If it hadn't been for "tough measures" taken by Russia when the waves of selling started last year (namely, steep raising of interest rates), Chernomyrdin said, "we would have crashed, and many would have heard the crash."

Chernomyrdin insisted that he must deal in terms of "monetarism," a statement aimed at Moscow Mayor Yuri Luzhkov, a probable Presidential candidate who continues to campaign against the destructive "era of monetarism" that should now end. Russian government spending and revenue projections, and the budget, reflect an assumption that the worst is over.

In early March, the Russian State Duma (parliament) voted 252-129 in favor of the fourth and final reading of the nation's 1998 budget, a vote postponed from two weeks earlier, after International Monetary Fund conditions for the extension of its lending to

Russia forced the government to amend the document. One amendment would have prevented 27.9 billion rubles (\$4.6 billion) of recently added spending from being paid out, unless sufficient revenue were received to cover it; instead, the government will be allowed to cut spending, with three days' notice to the Duma, if it makes the cuts evenly across the board.

Banking

Foreign investment bailouts a 'moral hazard'

Daim Zainuddin, Economics Adviser to the Malaysian government, condemned the International Monetary Fund's (IMF) rescue packages to three Asian countries, as aid to foreign banks. The actions of both lenders and borrowers, he said, "cause misery to the whole population . . . hundreds of millions of people. All these years, foreign banks have benefitted. This is a moral hazard, isn't it? When it comes to local banks, the foreigners tell us, 'Don't bail out.'"

Daim told reporters that fund managers have been asking him when the turmoil will be over, and his response has been, "Let's be honest about it, it is actually very serious in Indonesia."

Daim said that bailouts to foreign bank creditors are ultimately paid for by the citizens of the nations concerned. "Why is it that everybody does not criticize when there is a bailout of a foreign bank? The lenders were reckless and careless, the borrowers were reckless and careless," Daim said. "At the end of the day, they know the IMF is going to bail them out, so they continue to lend, knowing at the end these are going to be bad loans."

In Thailand, for example, Bank of Thailand Economic Research Department Director Suchada Kirakul said that the IMF's third tranche of \$1.8 billion will go largely to pay forward swap obligations incurred by the Bank of Thailand last year in a failed attempt to defend the baht against the hedge funds, which are controlled by speculators like George Soros, *Business Day* reported on March 2.

'HOT MONEY terrorism' is a danger faced by all nations, if bloated stock exchange trading, estimated to be \$257 trillion in 1992, is not reined in, Ungsuh Park, adviser to the South Korean Samsung group of companies, warned early in March. Even the U.S. economy, worth \$7 trillion in 1992, cannot withstand the power wielded by this trade, he said.

MYANMAR'S currency, the kyat, despite controlled convertibility, has fallen against the dollar and against the Chinese yuan by more than 50%, the March 5 *Far Eastern Economic Review* reported. One result is that the number of trucks that cross the China-Myanmar border has fallen from 200 or so per day, to 30.

'SAUDI ARABIA, the largest OPEC producer at 8.7 million barrels, is in a war with Venezuela, which is pumping 43% above its quota," a European oil analyst told *EIR* on March 10. "Venezuela refused to cut 'one barrel,' and the emergency OPEC meet is off." Venezuela, is intent on recapturing its 1960s role as the primary supplier of oil to the United States, he said.

RUSSIA has reaffirmed its commitment to the Bushehr nuclear power station being built on Iran's Persian Gulf coast, the *Teheran Times* reported. The United States has tempted Ukraine away from supplying turbines for the project by offering a bilateral nuclear cooperation accord.

CHINA "should not underestimate the negative impact on our economy" of the Asian financial crisis, People's Bank of China Gov. Dai Xianglong said on March 7. Dai said that foreign direct investment would exceed \$30 billion this year, down from \$45 billion in 1997. China gets 80% of its foreign investment from Asian nations.

MINDANAO in the Philippines lost 194,000 agricultural jobs in 1997, to 885,000, the National Economic and Development Authority reports. Agriculture accounts for 55% of the region's employment.