

Business Briefs

Trade

Europe picks up Chinese satellite contracts

On July 18, a Chinese Long March rocket launched the first European-made communications satellite, Sinosat-1, made in France, the July 27 *Aviation Week* reported. The satellite had been contracted for by EuraSpace, which is a 50-50 joint partnership between Germany's Daimler-Benz Aerospace and China Aerospace Corp.

EuraSpace was formed in 1994. At that time, the U.S.-based Hughes Corp. had hoped to secure the joint partnership with China, but U.S. technology sanctions imposed on China, and the threat of changes in policy in Washington, gave the Europeans the winning edge.

The "ups and downs" in U.S.-China technology export policy took a dramatic turn for the worse this spring, when the *New York Times* began leveling charges that U.S. national security was being compromised by the satellite launches. This, plus the joint partnership, has given the Europeans a jump start in competing with the United States in the Chinese satellite market.

Italy

Infrastructure blocked by Maastricht Treaty

The Italian high-speed rail network is proceeding slowly, and parts of it have been terminated. So far, work has begun only on the Florence-Rome and Rome-Naples sections; but, even when these have been completed, there will be no connection to northern Italy and central Europe. Cuts in the budget, to meet the criterion in the Maastricht Treaty for European Union, are the primary reason that investment in infrastructure is being cut back or eliminated, as *EIR* had warned would be the case.

In July, the Italian government announced that the planned Milan-Genoa high-speed rail connection will not be built. The 137 kilometer line has been cancelled for "environmental" reasons, among which, the

government says, is that the train would have been "too high-speed." Thus, the largest industrial center of Italy will not have a modern rail connection to Italy's main commercial port. The government is promising that it will double the existing conventional rail connection.

The state-owned rail company also announced in July that the Turin-Milan high-speed connection, and the Italian part of the connection from Turin to Lyons, France (which includes a new tunnel through the Alps), are no longer top priorities. Due to budget cuts, the company has been forced to concentrate only on the north-south connection from Milan to Switzerland, which includes a new Gotthard tunnel.

In a related development, the European Commission rejected a proposal by the Italian government to ease taxes for companies investing in Southern Italy. EU Commissioners Monti and Kinnock declared that Italy would be violating European Union rules of competition.

Finance

Chile under pressure to lift capital controls

The British oligarchy is putting pressure on Chile to further lift controls against speculative capital, most recently in an article in London's *Financial Times* on July 22. The article was reproduced in Peru's *Gestión*.

In June, in a move which revealed how desperate Chile is for cash, the Central Bank weakened its modest controls on hot money, reducing from 30% to 10% the portion of incoming foreign capital that must be deposited in the bank for a year. Now, the *Financial Times* reported, some economists want the remaining controls lifted, to facilitate Chile's access to foreign capital and help lower interest rates.

Backers of the controls argue that they should be kept in place, because they have curbed incoming foreign speculative flows and helped Chile to "avoid the type of financial crisis which hit Mexico in 1994, and Thailand, Indonesia, and South Korea last year."

That the issue is being discussed at all underscores the depth of Chile's crisis. Inter-

est rates of 25% might be attractive to foreign fund managers, one broker is quoted. But, for smaller Chilean companies, interest rates are even higher because of the scarcity of funds. Despite pressure to eliminate the controls, the *Financial Times* laments that the Central Bank has shown no signs of doing so, and has kept in place other regulations on profit repatriation. "These [regulations] appear to have been a useful tool, which have served us well," said Central Bank president Carlos Massad.

Caspian Sea

Russia, Iran reaffirm 1921 and 1940 accords

A dispute between Russia and Iran, following the signing of an agreement between Russia and Kazakstan over the division of the resources of the Caspian Sea, is headed toward resolution. In an interview with the Iranian News Agency, Russian First Deputy Foreign Minister Boris Pastukhov, who visited Iran on July 19, said that Russia still considered the Tehran-Moscow friendship treaty of 1921 and the trade and shipping accord of March 25, 1940 between the two nations, to be valid. He said, "It is not to the benefit of Moscow to distance itself from Tehran."

On July 6, Russian President Boris Yeltsin and Kazakstan President Nursultan Nazarbayev signed an agreement demarcating the Russia-Kazakstan Caspian Sea offshore border along its seabed. This was the first such bilateral seabed border agreement among the states bordering the Caspian, and the first time that Russia legally recognized Kazakstan's claim to its offshore oil resources. Previously, the Russian position, shared by Iran, was that the Caspian was a "lake," and not a "sea," and therefore its resources had to be shared among all its littoral states. The border demarcation is confined to the seabed, and includes oil and gas deposits. Left out is anything built upon that seabed, such as pipelines. (Russia maintains its position that whatever is drilled on Kazakstan territory should be piped out via Russia.)

The agreement cleared the way for the exploitation of offshore Kazakstan oil, and for bilateral agreements among other Cas-

THAILAND'S Deputy Prime Minister Supachai Panitchpakdi called on members of the Association of South-east Asian Nations to "boost emergency rice reserves to ensure regional food security," at a Bangkok meeting of the ASEAN Food Security Reserve Board, the July 7 Singapore *Straits Times* reported.

IN GERMANY, poverty among children is increasing, according to a report by the Ministry of Family and Youth Affairs which the government will not release until after the Sept. 27 elections for national parliament. According to leaks in the media, 12% of the children in western states and 22% in eastern states are living below the poverty level.

CHINA released figures reporting only 7% economic growth so far this year, 1% less than the target. This is a result of the global financial crisis, and a serious problem for China, because the planned 8% growth rate was essential to ensure the re-employment of millions of workers being laid off in the necessary reform of much of China's outdated state industry.

3M COMPANY, "battered by a slowdown in Asia and sluggish U.S. sales, said . . . it would shed 4,000 jobs, or 5.3% of its worldwide work force, by the end of next year," the July 24 St. Paul *Pioneer Press* reported.

ZAPATA CORP., the company co-founded by George Bush as Zapata Off-Shore, has formed an Internet subsidiary, ZAP Corp., and is buying up Internet companies. As of July 6, it had deals pending to buy all or part of 21 Internet sites and "e-commerce" businesses; ZAP claims that these acquisitions will make it one of the ten largest Internet sites, based on numbers of users.

BOEING reported a 46% fall in earnings for the second quarter, and Dow Chemical Co. reported a 26% drop, amid a fall in earnings of Blue Chip firms because of the Asian financial collapse.

pian littoral states. The search for oil will start with a consortium of six international oil companies drilling their first well in Kazakhstan's section of the Caspian. The firms are: Italy's Agip; an alliance of British Petroleum and Norway's Statoil; British Gas; Mobil; France's Total; and Kazakstancaspishelf, a state-owned Kazak oil company.

Pastukhov said the 1921 and 1940 agreements would remain valid until a new regime were completed, and that Russia opposes laying oil and gas pipelines along the Caspian seabed, because of ecological concerns. In a joint statement, Pastukhov and Iranian Foreign Minister Kamal Kharazmi agreed that a legal regime for the Caspian Sea should be completed as soon as possible, with the participation of all five littoral states. They also ruled out any outside parties as mediators in the negotiations.

Investment

London woos Arabs to keep money in Britain

A prestigious event was staged for Arab investors and diplomats in London recently, to urge them to invest in Britain, the Saudi newspaper *Asharq Al-Awsat* reported on July 23. The meeting was attended by high-level representatives of the British oligarchy, including the Duke of Kent, Governor of the Bank of England Eddy George, former Foreign Secretary Douglas Hurd, Lord Frazier, John Bond of Hongkong & Shanghai Bank, and the chairman of the London Stock Exchange. The seminar was arranged by "The British Invisibles Export Council," and was held in St. James Palace with the "special permission of Queen Elizabeth II," the paper said.

"The British are not only desperate; they are begging," a London-based Arab economics editor told *EIR*. "The meeting in St. James Palace was a discreet thing. No international press was invited. Even the report in the Saudi paper was intended to lure smaller Arab investors to invest in Britain." He added, "There is a strong feeling here that big Arab investors, especially those investing heavily in real estate in the U.K., are seriously considering moving to the euro, and

repatriating a portion of their money back to the Gulf, where the economies have been badly hit by the Asian crisis and the oil price fall."

In recent months, there have been repeated calls in the Gulf, including from the Saudi-based Gulf Cooperation Council Chambers of Commerce, to "repatriate the \$800 billion" of Arab investments in London and New York, in order to invest in Arab stock markets and development projects. So far, \$1 billion has been invested in Egypt's water projects by Sheikh Zayed Bin Sultan of the United Arab Emirates, and \$500 million has been invested in agricultural projects in southern Egypt by Prince Al-Walid bin Talal of Saudi Arabia.

Central Asia

Iran, Armenia sign economic deals

Iran's Finance and Economic Affairs Minister Hussein Namazi signed an agreement for economic cooperation with Armenia's Minister for Executive Affairs Shahen Karamanukyan, following the conclusion of the second joint commission in Tehran on July 20. One of the points in the agreement is the readiness of Iran's Export Promotion Bank to grant credits of up to \$5 million to Armenia for purchase of Iranian consumer goods, and a further three-year grant for the purchase of Iranian capital goods.

Armenia announced preliminary agreement for the construction of a 25 kilometer tunnel by the Iranian Mostazafan and Janbazan Foundation. Some 65% of the cost of the project is to be covered through exports, 20% through transport fees, and 15% by the foundation's share in Armenian factories.

Armenia and Iran also indicated readiness to complete an international transport route along the Black Sea, which, they envision, would include the participation of Georgia and the Russian Federation. The agreement notes that the Iranian car manufacturing company, Iran Khodro, is ready to launch a minibus manufacturing line in Armenia and to sell spare parts. The two sides also reached agreement on building a hydro power station over the Aras River.