

made \$22 million from running up the value of the stock he purchased. Next, he set his sights on Cities Services. Again, he lost the bid for ownership, this time to Occidental, but managed to make \$44 million on an investment of \$182 million. Then, it was another “unsuccessful” campaign for General American Oil. This time, Pickens netted \$25.3 million by investing \$32 million for a little over a month. A brief assault on Superior Oil gained a profit of \$31.6 million.

Graduating to the big time, Mesa undertook to acquire Gulf. After a bidding war that lasted five months, Chevron wound up with the prize of ownership; but Pickens and his partners walked away \$760 million richer. Then, he tried to buy out Phillips Petroleum, setting off a competition involving the likes of Carl Icahn, Irwin L. Jacobs, and the lately imprisoned Ivan Boesky. Phillips retained its independence—at a staggering cost—and, for four months of jockeying (it could hardly qualify as “work”), Pickens made \$89 million, plus \$25 million in expenses.

In all the above and similar episodes, numerous deal-brokers—securities lawyers, investment bankers, and financial advisers—also wound up with a windfall in “fees.”

### **A ‘free market’ run amok**

The raiders and their apologists argue that the movement of stock prices to “truer” (or, at any rate, higher) values has enriched those willing to risk their capital in promising enterprises, rewarded behavior tested and proven in the marketplace, and provided the resources for another cycle of investment and progress. Like their social Darwinist forebears, they claim that interference in this process, however well-intended, simply hampers growth and efficiency, and infringes on the rights of investors.

But in an economic climate where casino builders prosper while steel companies go bankrupt, the claims of the free-marketeers are just glib rationalization. The major scholarly studies of mergers and buyouts, including those by David Ravenscraft and F.M. Scherer of the Brookings Institution and the University of Maryland’s Dennis C. Mueller, indicate that the mergers-mean-efficiency thesis is not borne out by experience. And these surveys merely study corporate performance, not even the larger economic impact referenced above.

Communities that have seen factories closed, jobs cut, suppliers and customers decimated, and firms slide into obsolescence in order to meet enormous debt burdens, have had enough of it. Companies and business federations like the Chamber of Commerce have joined with labor unions in pushing anti-takeover laws.

Admittedly, such efforts address only some of the most visible depredations of the speculative economy, and on a piecemeal basis at that; they only hint at the underlying problems of economic policy. But they are a healthy reaction to the ruinous course of the recent past, and a hopeful sign of a mass political awakening yet to come.

## **Nuclear deal gives Pakistan a breather**

by Susan Maitra and Ramtanu Maitra

After years of frustration and waiting, Pakistan’s nuclear power program received a boost when French President François Mitterrand announced in Islamabad in February, during the first-ever visit by a French head of state, that France would supply Pakistan a 900 megawatt (MW) pressurized light water reactor. Several months earlier, Chinese Premier Li Peng also promised to supply two fully safeguarded nuclear power plants of 300 MW each during a visit to Pakistan.

Li Peng’s announcement was widely welcomed in Pakistan, but the French government’s move is arguably the more dramatic and potentially far-reaching. Not only will France be helping this power-starved nation to realize an essential energy option crucial for the country’s economic future, but in reversing its earlier capitulation to the superpowers’ “non-proliferation” blackmail of Pakistan, France is helping break the embargo enforced against Pakistan, principally by the United States, at a time when there is a thrust within the country to establish policy independence from its erstwhile American ally.

One of the more important recent events in Pakistan is the rise of a significant group within the Pakistan military and bureaucracy who seek to cut its umbilical cord with the United States and reorient foreign policy around a regional consensus on Islam and an even-handed stance toward the superpowers. This grouping, of which Army Chief of Staff Aslam Beg is a prominent representative, would like to reduce Pakistan’s vulnerability to both the carrots and sticks that have been Washington’s routine fare for its “most allied ally.”

This should not be surprising. Pakistan is important for the U.S. for electronic surveillance, a possible military base, and an opening to Iran; but after more than 40 years of “strategic” alliance, and a significant amount of weapons transfers and economic aid, Pakistan has become the unwilling host to 3.5 million restless Afghan refugees, its bankrupt economy is in the clutches of the International Monetary Fund, and its people is still enmired in appalling poverty and illiteracy. On top of this, the United States has taken advantage of the intimacy to tinker with Pakistan’s domestic politics with seeming impunity.

Nuclear “non-proliferation” has been one of the more important sticks the United States has consistently used

against Pakistan, which, like India, has refused to become a party to the Non-Proliferation Treaty game whereby the superpowers seek to maintain their monopoly on nuclear technology under the pretext of preventing the spread of atomic weapons. It is no secret that the treaty has failed utterly in preventing the spread of nuclear bomb-making secrets; less appreciated is the fact that it has been devastatingly effective in preventing the spread of nuclear power plants to an energy-starved world.

To this day, Pakistan, though arguably close to attaining the technical capability to make nuclear devices, has been systematically denied the technical knowhow to construct reactors, nor does it possess the necessary industrial infrastructure.

### **Nuclear power play**

In 1975, Pakistan and France signed an agreement under which France would supply a 600 MW nuclear power plant—the nation's second nuclear station—and a reprocessing plant. The agreement came under intense pressure from the then-U.S. Secretary of State Henry Kissinger. Although the U.S. representative at the International Atomic Energy Agency meeting in 1976 voted in favor of Pakistan's application for a fully safeguarded nuclear plant, then-French President Valéry Giscard caved in to pressure from Kissinger's State Department.

Details of this story are only now beginning to come to light. Air Marshal Ayaz Ahmad Khan (ret.) reported recently in the Pakistani daily *The Dawn* that the U.S. made an offer of 100 A-7 Crusader fighter-bombers in order to dissuade Pakistan from going ahead with the reprocessing plant. Khan related that when Air Chief Marshal Zulfikar Ali Khan (now Pakistan's ambassador to Washington) was asked by then-Prime Minister Zulfikar Ali Bhutto for his opinion on the offer, he "readily refused the juicy carrot from America in the interest of long-term national development."

Kissinger's open personal threat to Bhutto over the French nuclear deal is a matter of record, as is Bhutto's subsequent overthrow and 1979 judicial murder.

France's capitulation to the U.S. pressure was a devastating blow to Pakistan's power program. Pakistan had set up its first and only nuclear power plant, a 137 MW heavy water pressurized reactor of the CANDU type, in Karachi in 1972. The Karachi Nuclear Power Plant was supplied by Canada, but in 1976, under further "non-proliferation" pressure, the Canadians ripped up the agreement and summarily stopped supplying fuel and heavy water to the plant. Pakistan managed to keep the plant active by indigenously producing heavy water and manufacturing fuel rods. The second power station, Chashma, was approved in 1978 for construction near Mianwali in the state of Punjab, but France's retreat made it a dead letter.

Not resigned to defeat, over the following years Pakistan repeatedly floated global tenders asking for a reactor suppli-

er, and even turned to Moscow for help. The Soviet Union conceded only a smile and a promise to "study the project at an early date." As for the free market, *Nucleonics Week* described Pakistan's predicament as of Dec. 22, 1983 thus: "The United States has vigorously urged nuclear suppliers to refrain from dealing with Pakistan unless it accepts full-scope safeguards, and the U.S. and Soviet Union rarely diverge in their views on the necessity for full-scope safeguards in non-weapons states."

### **A priority for Benazir**

The breakthrough in the nuclear power program comes not a moment too soon. Pakistan has very little fossil fuel, and has become increasingly dependent on its rivers for electrical power. To date the country has an installed capacity of a mere 5,000 MW—an estimated 3,000 MW short of meeting current baseline demand.

After languishing for more than a decade, the nuclear power program was given top priority by Prime Minister Benazir Bhutto as soon as she took office. One of her first acts was to ask the Pakistan Atomic Energy Commission to draw up a 20-year nuclear program that would enable Pakistan to generate 6,000 MW of electrical power by the turn of the century.

According to the program presented by PAEC Chairman Dr. Munir Ahmad Khan last September, the first reactor to be fabricated locally, a 300 MW reactor, will take seven years to complete. Under the program, a half-dozen or more are to be manufactured before switching over to units of 600 MW capacity. Already engineering capabilities of some 400 major industrial units have been screened by the PAEC, and some have been given required quality standards. The heads of 20 companies have toured reactor manufacturing facilities in Europe, and memoranda of understanding have been signed with some 17 industries for collaboration.

In the run-up to installation of the new foreign-assisted reactors (the Chinese plants are also scheduled to come up at Chashma), Pakistan can concentrate on gearing up its nuclear infrastructure. If it chooses to opt for the pressurized light water reactor for future installations, Pakistan will have to think about developing its own fuel-making capability. In a Nov. 30 lecture in Lahore, Pakistani nuclear scientist Dr. Abdul Qadeer Khan said Pakistan was self-sufficient in enrichment. But manufacturing enriched uranium fuel to supply a light water reactor-based power program requires more than simply technical know-how. Pakistan will have to produce enriched uranium oxide in large quantities.

Also important is the cladding material, a special alloy of nuclear-grade zirconium. There are reports that mineral sands containing zirconium have been found in large quantities along the Makran coast of Baluchistan. It is also reported that the PAEC is proceeding to produce the requisite grade of zirconium alloy, and will soon be able to manufacture tubes and plates of the required precise dimensions.