

Business Briefs

Finance

LaRouche's forecast covered in Mexico

Excelsior, Mexico's most important newspaper, reported on American economist Lyndon LaRouche's ninth forecast, on the front page of its business section on Aug. 4.

The article, entitled "Speculative Derivative Bubble Could Break International Financial System: Freeman," which takes up nearly a half-page of the Mexican daily, is based on a news conference in Mexico City by Richard Freeman, who is identified as "an expert on the staff of *Executive Intelligence Review*, one of the publications of the group headed by economist and U.S. political figure Lyndon H. LaRouche." (See *EIR*, June 24, p. 24, "The Coming Disintegration of the Financial Markets," for LaRouche's complete assessment.)

According to the article, written by *Excelsior* reporter José Neme Salum, Freeman "recalled that since 1956, LaRouche has made eight forecasts about critical events, among them the U.S. recession of 1957, the collapse of the Bretton Woods arrangements, and, most recently, the stock market crash of 1987, and the ongoing collapse of the U.S. economy that can be seen at this time." It adds that "now, in his ninth forecast—which was distributed to press—LaRouche says that 'the presently existing global financial and monetary system will disintegrate during the near term.'" The article includes other quotes from LaRouche and Freeman about financial developments in the United States and Mexico.

International Credit

Japanese debt bubble sets off alarms

The bankruptcy of Nippon Mortgage is a reminder that there is a huge bubble of 25 trillion yen in bad loans that the Japanese banking system has to keep under tight control, the German daily *Frankfurter Allgemeine Zeitung* warned in its lead editorial on Aug. 9.

Updated reviews of the scope of bad loans done at Mitsubishi Bank revealed recently that

the total volume is twice as high as earlier thought—which implies, if projected upon the official national figure of 12.5 trillion yen, that the total of bad loans is rather in the range of 25 trillion yen (\$250 billion).

The credit control commission of Japan has opened full bankruptcy proceedings against Nippon Mortgage, a case that increases the degree of nervousness in the entire highly volatile "non-bank" sector of Japan's financial system.

Ukraine

Rule by decree justified by economy, says Kuchma

Ukraine President Leonid Kuchma announced in Kiev on Aug. 9 that he will centralize control of all administrative bodies in his hands, and will take part in all future sessions of the Ukrainian cabinet, especially on questions of the economy and strategic policy. This "rule by presidential decree," Kuchma said, is the only way to run the country at a time of political heteronomy and increasing economic emergency.

New estimates indicate that Ukraine's harvest will be 25% lower this year than had been expected, and that 70% of industry is paralyzed by lack of energy supplies. The fact that there is a considerable undersupply of vital spare parts for coal mining indicates that, unless policy is changed, coal production will also decline further. Ukraine will have to import 6 million tons of coal to overcome energy shortages this winter.

Transportation

China outlines ambitious airport expansion plan

On Aug. 12, the People's Republic of China outlined an ambitious plan to build or renovate about 60 airports to keep pace with demand for domestic air travel. Xu Cunxin, chief of airport construction at the Civil Aviation Ad-

ministration, said that construction of 17 new airports began this year and another 9 new airports would begin during 1994.

Expansion and modernization is under way at nine other airports, Xu said, including Capital International Airport in Beijing and in the cities of Harbin, Taiyuan, Chengdu, Beihai, Urumqi, and Handan. Similar renovation schemes are in the planning stages at 25 other airports.

Foreign financing of construction has zoomed under the liberalization of investment rules. "After China published its new policies for foreign businessmen to invest in civil aviation capital construction in the middle of this year, a large number of foreign businessmen have come to negotiate with related Chinese departments," Xu said.

Infrastructure

European consortium to build harbor in Palestine

A consortium of European firms on Aug. 12 signed a deal with the Palestinian National Authority to build a harbor in the Gaza Strip, provided it is funded by their governments, the Dutch consortium leader Ballast Nedam NV said in a statement, Reuters reported. The deal involves France's Spie Batignolle and Italy's Sistemi Ingegneria SpA.

Construction of the harbor will only go ahead if full financing for the \$60 million project is provided by the Dutch, French, and Italian governments. The Dutch government has promised 40% of the financing on condition that the remainder can also be raised. "The harbor is viewed as of great importance to the development of the Gaza Strip," Ballast's statement said.

The harbor will be laid in a shallow coastal zone a few miles south of Gaza. It will initially be able to accommodate small vessels of up to 5,000 gross tons and can be extended in a later phase to handle 15,000-ton vessels. The German construction group Hochtief AG owns a 48% share in the Dutch company.

Meanwhile, President Clinton asked the Paris Club of major lending nations to forgive Jordan's debt. "I believe urgent international

Briefly

● **THE THREE BALTIC** states are expecting a bad harvest this year after a drought, according to the latest forecasts. Lithuania is expecting only 2 million tons of grain, down from 2.7 million last year; Latvia, 800,000 tons less than the 2.4 million in 1993; and Estonia will only harvest 400,000 tons, down from 700,000 tons last year.

● **34 MILLION PEOPLE** in Africa are affected by famine, according to the U.N. Food and Agriculture Organization. The situation has dramatically worsened in Ethiopia, Eritrea, Kenya, Sudan, Somalia, and Angola.

● **KROLL Associates** is in financial trouble, with debts of \$10 million, and has fired 10 of its top people, the Aug. 7 *London Times* reported. The firm gained notoriety during the 1980s as the "CIA of Wall Street" for the number of ex-CIA, FBI, and Scotland Yard people it employed to do corporate espionage in takeover bids.

● **HOLLINGER CORP.**, the British publisher leading a drive to oust President Clinton from office, will cut 200 jobs from its American Publishing Co. The cut will affect the *Chicago Sun Times* (which employs 1,500 and has been owned by APC since March), Pioneer Press, and Star Publication.

● **CHINESE** firms signed contracts on July 16 in Beijing with Impreglio, SpA of Italy, Zublin AG of Germany, and Dumez of France to build a dam on the Yellow River in Henan province. The dam is designed to allow the lower reaches of the river to withstand the worst floods expected in 1,000 years, instead of the worst-in-100 years currently planned for, Xinhua reported.

● **INDIA AND UKRAINE** signed a protocol that could lead to space cooperation, after a delegation of Ukrainian officials, led by Vladimir Gorbulin, who directs the Ukrainian space agency, visited India, *Space News* reported in mid-August.

action to relieve Jordan's considerable debt burden is a critical element in demonstrating such support for the peace process," he said in a letter. "It is essential that the people of Jordan feel the benefits of peace in tangible ways. Jordan's debt overhang is a major impediment to economic growth. . . . I therefore encourage you to act as rapidly and as generously as possible to relieve Jordan's financial burden through bilateral debt forgiveness."

The source indicated that the World Bank and the U.N. are exercising great control over the decisions connected with the infrastructure projects.

Middle East

Morocco conference to focus on development

Israel and the United States are preparing for a North African-Middle East economic summit, which officials believe has immense potential to change the economic face of the Middle East, Reuters reported on Aug. 9, citing unnamed officials. Co-sponsored by President Bill Clinton and Russian President Boris Yeltsin, the conference is being organized by private groups, including the New York Council on Foreign Relations, and organizers expect to draw several hundred leaders from government and the private sector.

Israeli Foreign Minister Shimon Peres, at a news conference with U.S. Secretary of State Warren Christopher on Aug. 7, termed the meeting "the next important occurrence" in Middle East peace moves. "This will be the first time in the history of the Middle East that an organized economic effort" will bring together leaders in government and the private sector to discuss economic issues and "open a new situation in the Middle East," Peres said. Hosted by Morocco's King Hassan, the conference will be held on Oct. 31 and Nov. 1 in Casablanca.

Meanwhile, the World Bank continues to impede economic development in the area. A World Bank official responsible for the West Bank and Gaza Strip admitted to a journalist that most of the major projects were still on the drawing boards, even though "Gaza has the

most serious water crisis in the world." Regarding the urgent development projects, he said there were studies for the Dead Sea-Red Sea canal and for two canals to the Mediterranean. However, the idea is to develop only one of the three. The official admitted that they "weren't looking at the big development projects yet," but were still limited to more immediate questions of water distribution, electricity production and distribution to the villages, and building roads. There would have to be "a lot of fancy footwork to be able to do all those projects," he commented.

Demographics

Russia needs more people for economic development

Viktor Perevedentsev, a Russian demographer, said that a coordinated national effort is needed to counter a shrinking birth rate in Russia that has contributed to Russia's economic and social problems, the Aug. 8 *Richmond Times-Dispatch* reported.

Perevedentsev gave the keynote to a conference on "Geodemography of the Former Soviet Union," sponsored by Radford University and Dartmouth College held Aug. 6-7 in Radford, Virginia. Attendees included Emil Payin, an economic adviser to Russian President Boris Yeltsin, and representatives of the State Department and the World Bank.

"Greater population density would bring increased investments in infrastructure, particularly transportation. He said such investments are needed to encourage economic development," AP reported Perevedentsev as saying.

Steve Pontius, Radford's dean of arts and sciences and an organizer of the conference, said that the importance of the conference "is that literally, up to now most of this data [on population] has been classified."

George Demko, a Dartmouth professor of geography, commented on the importance of the Russian statistics: "For the first time, we're looking at a developed country, one like us, at a time when it is under great stress. That can give us some insight into how we might behave. In some ways, it's like looking in a mirror."