Business Briefs

Petroleum

Russia proposes new oil plan; IMF gets upset

International Monetary Fund (IMF) officials in Washington are upset after Russia informed them that it intends to eliminate its oil export quota system and require oil companies to sell 65% of their production on the Russian market, Reuters reported on Dec. 20. Foreign joint-venture firms would be exempted.

The IMF and World Bank say that this system would undermine the so-called economic reforms (which they have used to destroy Russia's economy), because it would limit exports and government revenues from oil taxes.

"We are completely and utterly against this proposal," IMF Deputy Director Ernesto Hernandez-Cata said after returning from Moscow, where he was negotiating a new $6 billion loan for Russia. World Bank President Lewis Preston warned Russian Prime Minister Viktor Chernomyrdin that his organization could not go ahead with a $600 million "rehabilitation" loan for Moscow if the proposal was adopted. The World Bank has lent Russia $1.1 billion for the petroleum industry, and was contemplating extending another $500 million to $1 billion to that sector annually.

Infrastructure

German chancellor raises Berlin-Moscow rail line

German Chancellor Helmut Kohl promoted the Berlin-Moscow rail link, at the European Union (EU) summit in Essen on Dec. 10. "Among the grand cross-border projects that go eastward, there is one in whose completion we Germans especially have an interest, namely, the one from Berlin to Warsaw, Minsk, and Moscow," Kohl said. "This project is meant for road and rail alike."

The project was discussed between Kohl and Russian President Boris Yeltsin in May in Stuttgart, and is included in the updated list of projects under consideration by the EU, but, so far, only as one that will be debated at some future EU summit.

The German daily *Bildzeitung* entitled its Dec. 13 editorial "Build a Super-Highway to Moscow!" EU summit declarations about "expansion eastward and Moscow becoming closer" are fine, it said, but Moscow is 3,000 kilometers from Berlin. "That is why Russia needs an artery made of cement, which connects the heart of that giant country with western Europe: a road from Berlin to Moscow.

"An eight-lane highway that links Russia to the West, a road that serves as a conveyor of wealth, of trade, and change. . . 3,000 kilometers that lay a track of friendship and freedom through the wide lands of Russia. A thousand gasoline stations would emerge, rest stations, motels, repair shops. Numerous supplying industries within a range of 300 kilometers would be attracted magnetically. . . .

"Kohl and Yeltsin want this super-highway. They have decided for it. Now, industry must act. A grand-scale cooperation of big industries is needed that will create the project of the century."

The cost would be DM 20 million per kilometer, or DM 60 billion. Construction of the biggest road of all times, which will "bury the century of wars beneath it," would simultaneously begin in Berlin, Warsaw, Brest, Minsk, Smolensk, and Moscow. "That can be achieved within three years, experts say. Only in this way can Russia and Europe come together—from Berlin to Moscow will then take three days."

Eurasia

Russia and China integrate economies

A "geo-economic integration" of Russia and China is taking place, and this could have significant strategic consequences, Jacques Sapir wrote in the December issue of the monthly *Le Monde Diplomatique*. "What characterizes Russo-Chinese relations is, above all, their economic dimension," he said. There has been a vast increase in bilateral trade since 1990, including a high Chinese demand for Russian raw materials, semi-finished products, cement, and chemicals.

"Since 1992-93, the dependence of the Russian regimes of the Far East toward [China] has become complete. In 1993, it was estimated that China represented between 65% and 85% of total trade for these regions . . . which permitted them to survive the shock of transition, but at the price of a growing 'satellite-ization.'. . . Many factories in cities like Perm, Omsk, Tomsk only survive through deals with China. Even in the environs of Moscow, in the city of Tambov, the only factory which maintained a more or less consistent volume of orders in May 1994, a chemical enterprise, worked for Chinese clients. . . . Thus, China has become the primary partner of Russia. . . . The Russian economy has become largely dependent on the good will of Beijing, particularly in that part of Russia east of the Urals. . . . This encourages conservative alliances and reduces the internal margin of maneuver of the Moscow regime."

Growing trade is giving birth to "a geo-economic integration between the regions located between Irkutsk and Blagovoshensk and the industrial basin of Manchuria. That should modify, tangibly, the perception of the Russian leaders of their interests. . . . The bases for a new Russo-Chinese alliance therefore exist. It remains to be seen . . . to which ideological representations it will give birth."

Energy

Subsidy for coal-mining questioned in Germany

Following a Constitutional Court ruling which said that a surcharge on electricity bills was unconstitutional, German Economics Minister Günter Rexrodt has questioned future government subsidies for the coal-mining industry, Reuters reported on Dec. 12.

"We have to ask ourselves again and again whether and how long we can afford to have a mining industry," Rexrodt said. By the year 2000, he claimed, there would be no alternative to cutting back on subsidies.

The government pays subsidies of around DM 6 billion ($4 billion) a year to keep coal mines going and to preserve jobs. But because the price of German coal is around four times that of imported coal, the government has come under increasing attacks by the free traders of the International Energy Agency to eliminate the subsidies.

Medicine

Montagnier: Governments must fund AIDS research

Prof. Luc Montagnier, a top AIDS researcher at France's Pasteur Institute, called on governments to reverse the current trend in which fewer and fewer scientists are doing AIDS vaccine research, in an interview in the French daily *Le Figaro* on Dec. 6. According to Montagnier, the pharmaceutical industry is no longer interested in such research because of its high costs, while it is unclear whether any vaccine can be developed. Only governments can reverse that trend, he said.

Meanwhile, at the German AIDS Congress in Hanover in mid-December, scientists warned that more variants of the causative agent, human immunodeficiency virus (HIV), will appear. The HIV-0 virus type, which so far seems to be concentrated in the Cameroon-Gabon area, makes up 0.6% of HIV cases there. France has detected 14 cases and Belgium 5. Since there are differences of up to 50% between HIV-0 and two HIV-1 subtypes and HIV-2, normal AIDS tests can fail to detect it. Scientists said it seems that HIV-0 will become a new HIV group, in addition to HIV-1 and HIV-2.

Trade

NAFTA has already cost 10,000 U.S. jobs

Since January 1994, the North American Free Trade Agreement (NAFTA) has directly cost 10,000 U.S. jobs, and another 137,000 jobs from increases in imports from Mexico, the Joint Economic Committee of the U.S. Congress estimated in a report released in November 1994, based on data from the Department of Labor Office of NAFTA Trade Adjustment Assistance. That office reported that, as of Sept. 26, 1994, some 240 firms in 37 states had petitioned for adjustment assistance, with 9,882 workers having been certified to receive assistance.

The report stated that "this analysis demonstrates that NAFTA has not increased U.S. employment, but rather increased global access to Mexico's low-wage labor supply, as reflected in growing shipments of capital goods and production inputs to Mexico, from the U.S. and foreign countries, and rapidly rising imports of finished products from Mexico to the U.S."

If the U.S.-Mexico balance of trade is calculated—excluding products imported to the United States from other countries that are then re-imported to Mexico without substantial change, which have grown substantially since the passage of NAFTA—the level of net exports to Mexico has declined by 27% under NAFTA. "Recent discussions of export-related job gains," the report concluded, "distort the issue by looking only at jobs created, but not those jobs which have been destroyed."

China

Official blames inflation on 'invisible hand'

Chinese Vice Prime Minister Zhu Rongji blamed China's high inflation on the "invisible hand," the pro-Taiwan North American Chinese daily the *World Journal* reported on Dec. 2. Zhu, in charge of economics, said at the National Economic Working Conference in Beijing that current inflation is caused by the uncontrolled scheme of lifting price controls, also known as "market opening."

Zhu said that economists in China have been following western economics textbooks, and pushing the "invisible hand" (a formulation of Adam Smith, the 18th-century apologist for British East India Company looting) and "self-organized" market forces to control prices.

Zhu said that China has no scarce resources and enough foreign exchange to secure rare goods. The problems come from those who worship the western economic theories that have no basis in reality, i.e., the complete opening-up of the market and the laissez-faire approach to the distribution and circulation of goods. If the markets and prices are set free, the disparity between the haves and have-nots and resulting social injustice cannot be avoided, he said.

Briefly

● **KAZAKHSTAN** proposed a high-speed rail link from Europe to India and China, in a letter from Deputy Prime Minister Isingarin to the government of Germany, the current chairman of the European Union. The Germans said the project is "interesting and extremely ambitious," and promised to present it to the appropriate European Commission bodies.

● **CORPORATE PENSION** funds in the United States were underfunded by $71 billion as of Sept. 30, 1993, the most recent figures available, compared to $53 billion at the end of fiscal 1992, the Pension Benefit Guaranty Corp. said on Dec. 5, Reuters reported. Nearly 8 million workers and retirees are affected; 1.2 million of them are in pension plans of "troubled companies."

● **QUEEN ELIZABETH II** has given permission to allow drilling for oil on the grounds of Windsor Castle near London, Buckingham Palace said on Dec. 6. Canuk Exploration Ltd. calculates there could be up to 100 million barrels of oil, worth about $1.56 billion, in an area near the castle walls.

● **23 AFRICAN** nations launched a common market on Dec. 8. Malawi President Bakil Muluzi told the group's first summit, "The people of this region expect us to upgrade their lives through regional integration under the Common Market for Eastern and Southern Africa (Comesa). We dare not disappoint them."

● **JAPAN** announced on Dec. 22 a $6 billion package of loans to China for infrastructure development in the interior, BBC reported. BBC said that the Japanese may attach a conditionality about "nuclear testing."

● **CHINA** entered the era of high-speed rail transport, with the opening of the first track between Guangzhou and Shenzen on Dec. 22. Deputy Prime Minister Zhou Jiahua said that this is "just the first step toward making all of the nation's trains run at high speeds."