

# Business Briefs

## France

### Drastic rise in local, regional indebtedness

There has been a drastic increase in French municipal, departmental, and regional indebtedness over the last few years. Long-term debt rose from 57.3 billion francs in 1985 to 82 billion francs in 1993, while total bank lending reached FF 697 billion in 1993.

Unable to sustain their rate of lending to corporations, banks have massively increased lending to municipalities and departmental and regional authorities. Fueling the increase has been stiff competition among both French and foreign banks, which have waged an interest rate war to set credit costs at rates that "nobody can refuse."

In the past, such debt was held by public banks, which were obligated to keep interest rates low. Now, however, debt is held mostly by private French banks and foreign banks, which are under no such obligation. Deutsche Bank and Deutsche Girozentrale, for example, are big lenders to the Rhône-Alpes region of France; this means that as interest rates rise in international markets, French cities and entities will be hit hard. There is already talk that interest rates will start going up after next year's municipal elections.

## Taiwan

### Ban on shipping to mainland to be lifted

Taiwan's cabinet approved a plan on Jan. 5, subject to a final okay by Parliament, to lift the ban on shipping to mainland China, which has been in effect since 1949, according to a statement released by the cabinet. The proposal calls for a section of the southern Kaohsiung port to be turned into an "offshore" shipping center for exports to the mainland.

Aimed at making "Taiwan's economy more free and more open," and Taiwan an Asian commercial hub, the cabinet plans to turn the island into a regional center to rival Hongkong and Singapore in the 21st century. The plan restated previous proposals for large

infrastructure projects and more financial de-regulation.

## Finance

### A new giant crash is certain, says Leuschel

Another giant financial crash is certain, and it may come this year or next, Roland Leuschel of the Banque Bruxelles Lambert told the weekly supplement of the German daily *Süddeutsche Zeitung* in early January. Asked when the next crash would come, he declared: "It is already here. It is becoming a salami crash. We just had the crash on the bond market. And we have losses of \$3,500 billion in bonds alone. This is already one-half of the crash. The stock market is next. It is faced with a similar fate. When exactly the crash will come, nobody knows. The crash always comes by surprise. Otherwise, it wouldn't be one."

However, Leuschel has no serious proposals to deal with such a crisis. He hinted that he has prepared himself for the crash according to the rule that "a king in the crash is he who has cash," and has not invested in a stock market that will go down. Leuschel gave the prognosis that the crash would come at the "end of 1995, maybe 1996. There will be a recession in America and, as a consequence of that, also here."

Not ruling out an emergency reaction of the central banks in that case, Leuschel pointed out that "the next recession will occur against the background of high jobless rates and state indebtedness. This will have political consequences." He added sarcastically, referring to the suicides in the financial community in the Great Depression in the 1930s, "I've asked not to pave the ground around my bank with cobblestones but only with marble tiles and tar."

## Natural Gas

### Nigeria to supply Benin, Togo, Ghana

Nigeria has signed an agreement to supply natural gas to Benin, Togo, and Ghana. The deal,

signed by Oil Minister Don Etibet, might also include Ivory Coast. The agreement would go into effect in 1998, after construction of a pipeline and other facilities are completed. The project developer, yet to be named, would be responsible for raising the \$260 million to finance the deal. Chevron (the producer of the gas), the German power group MAN, and U.S. investors expect to form a consortium for the project.

According to a World Bank study carried out by Italian consultants Bain, Cuneo Associates in 1992, the project could reduce primary energy costs in the region by \$500 million over 20 years. The potential demand in the region for Nigerian gas is expected to rise from 50 million cubic feet per day to 160 mcf/d in 2018, mostly for electric power generation. The gas supply will be from Chevron's West Delta field near the Escravos terminal in mid-western Nigeria.

## Political Economy

### List, Hamilton policies led to all successes

All postwar economic successes were based on the economic policy tradition of Friedrich List and Alexander Hamilton, William Pfaff wrote in the Jan. 7 *International Herald Tribune*.

Pfaff attacked the belief "that maximizing global trade is the way to produce the greatest prosperity for all." This "religion of markets" and "orthodoxy of international labor division" has led to the "transformation of 10 to 20% (or more) of the workforce from active and remunerated participation in the national economies—as contributors of wealth, consumers, and taxpayers—into state dependents, at best. At worst, they are simply excised from the national accounts."

However, Pfaff wrote, "history gives evidence" that "the economic 'miracles' that took place in Japan in the 1950s and 1960s, and elsewhere in Asia in the 1970s and 1980s, all occurred under regimes of formal or informal protectionism—which continue. The same is true of the great surge of the American economy in the 19th century. And imperial Britain dominated the world economy when it

preached free trade but practiced imperial preference. . . .

"Current orthodoxy, dominated by American and British economists . . . prefers to ignore the reasons for the postwar success of the continental European economies and Japan. They gave (and give) primacy to production, not consumption. They acted in the intellectual tradition of the 19th-century German economist Friedrich List (and . . . of Alexander Hamilton as well). List said that 'society's well-being and its overall wealth are determined not by what a society can buy but what it can make.' Note Germany and Japan's continuing determination today to remain manufacturing societies."

Principle "says living people should not be harmed for the sake of some speculative advantage to society in the future. The latter is what totalitarian utopians do. They sacrifice the living for a theory about the future. The harm is real. The promised benefits, for those not born, may or may not arrive." Therefore, it is "wrong to throw people out of work—out of a creative role in society itself—for the sake of a theory."

## Aerospace

### Indonesia to build planes in Europe, U.S.

Indonesia is looking to set up joint-venture aircraft assembly plants in Europe and the United States, according to the official Antara news agency. Research and Technology Minister Jusuf Habibie said in December that Indonesia is looking at a European site for an assembly plant for the N-250 turboprop aircraft. The plant, in principle, would be similar to the one that state aircraft maker Industri Pesawat Terbang Negara (IPTN) hopes to build in the United States.

The N-250 is a medium-haul, 70-seat commuter plane due to make its maiden flight early next year. Habibie said IPTN would have a 40% stake in the joint venture. In February, President Suharto is to announce the choice of the U.S. site from a short list of Alabama, Georgia, Arizona, and Oregon.

The Indonesian government has invested \$1.6 billion in IPTN since its founding in 1976,

and the N-250 is the centerpiece of the country's aerospace program. The plane costs \$13.5 million apiece; commercial production is targeted to begin in late 1997. The plane has been in the making for 10 years. IPTN now produces the CN-235, a smaller version of the N-250, with CASA of Spain.

## Germany

### Deutsche Waggonbau sale will mean production cut

The late-1994 decision by the Treuhand agency to sell Deutsche Waggonbau, eastern Germany's biggest producer of rolling stock and other railway equipment, to Advent International Corp., a Boston-based investment group with European headquarters in London, will bring the shutdown of two production sites (in Dessau and Niesky) that have specialized in producing rolling stock for Russia and other eastern European nations. Advent has said that it will keep only 3,200 of the 6,700 employees at the three remaining plants in Halle-Amendorf, Bautzen, and Görlitz, and in the company's administrative headquarters in Berlin.

The decision is contested by the German metal workers union and the state governments of Saxony and Saxe-Anhalt, on whose territories the plants lie. But Treuhand President Birgit Breuel has repeatedly said that there is no future for the firm in the traditional markets in the former Soviet Union and in eastern Europe. Strangely enough, the Russians and other eastern clients have an immense need for new rolling stock.

Deutsche Waggonbau, which built more than 40,000 rail cars for the U.S.S.R. State Railways, especially for the Trans-Siberian Railway, in the 50 years since the end of World War II, also has contracts with the People's Republic of China.

Advent, established in 1984 by "venture capitalist" Peter Brook, operates in conjunction with a worldwide network of 23 other nominally independent venture capital firms in 30 countries; it runs 600 projects worth \$2 billion. Its modus operandi is to buy into firms with temporary capital shortages, "streamline" them, and sell them off.

● **ISRAEL** and China have agreed to co-produce the Lavi fighter-bomber. The deal is a better indication of what is happening between China and the Clinton administration than the much-publicized trade war, a Russian source told *EIR* on Jan. 2. "The Israelis couldn't have made this approach without American support."

● **SAUDI ARABIA** is facing more speculation against its currency. Dumping of the riyal, mostly by London and New York banks, came in reaction to the new Saudi budget, which forecast a \$4 billion deficit and revealed a budget gap of more than \$10 billion in 1994. Dumping was also related to fluctuations in world oil prices—crude oil dropped at one point by 40¢ a barrel in early January.

● **INDONESIA** has accepted bids from Japan, Germany, Britain, and France on a \$1 billion rapid transit system for Jakarta, the *Jakarta Post* reported in December. Findings of a government feasibility study on an underground or elevated rapid rail transport system are expected to be released in early 1995.

● **MERRILL LYNCH** will lay off as many as 500 employees, including 180 traders and others from its global capital markets business, because of the slumping trading and underwriting markets, the Jan. 8 *Wall Street Journal* reported.

● **JAPAN** will provide \$1 billion to upgrade drainage and flood protection for Vietnam's capital, Hanoi, according to reports in the semi-official Vietnam Investment Review (VIR) released on Jan. 1. Japan has earmarked \$600 million a year in aid to Vietnam in recent years and is its biggest donor.

● **THE MALAYSIAN** firm Aris-ton signed a \$1 billion deal on Jan. 2 to develop infrastructure for tourism in Sihanoukville, Cambodia. The project includes upgrading the city's airport and construction of a hotel-casino resort and the infrastructure to support it.