

# Business Briefs

## Russia

### Marshall Plan, not IMF, is needed, says institute

If the West wants a stable Russia, it cannot rely on the International Monetary Fund (IMF), but, rather, Russia needs a new Marshall Plan, the Hamburg World Economic Archive (HWWA) stated in a survey of the Russian economy published in late March.

In academic but unmistakably critical language, the HWWA report charges the West with unsound policies, because it insisted on funneling all financial aid through the IMF, and at the same time making the granting of funds dependent on progress in Russia's reforms.

The transfer of IMF funds has been delayed because the reforms have not made progress, and at the same time Moscow has run into problems by counting on the money, and including it in its budget planning.

This creates an unsolvable problem, the HWWA said, and other alternatives are required. What Russia needs is a new Marshall Plan, without conditionalities, of the type that was launched after World War II to help rebuild the economies of western Europe.

## Infrastructure

### Berlin-Moscow corridor will boost economy

The development of the Berlin to Moscow infrastructure corridor will boost the economy broadly, Elmar Pieroth, minister of financial affairs in the Berlin municipal administration, said after returning from talks on March 27 in Warsaw. As far as the work on the high-speed rail corridor is concerned, Pieroth said that the financing of the Polish section, from Frankfurt an der Oder to Brest-Litovsk, has been secured, and that he is optimistic that work on the sections east of Poland will begin soon.

It should be recognized, Pieroth said, that where such a transport corridor exists, it will also serve as "a point of crystallization of industrial growth." This is especially important

for Russia, he said. Instead of spending western funds for all kinds of projects, the money should be concentrated on such infrastructure corridors which will lead to "more transport, more industrial activity."

When the Polish section of the Berlin-Warsaw-Moscow corridor is completed, which is expected before the end of this decade, travel by train (at speeds of 160 kilometers per hour) will take no longer than 3.5 hours between the capitals of Germany and Poland.

## Banking

### Japan tries to shore up endangered banks

The merger announced on March 28 by Mitsubishi Bank and the Bank of Tokyo was part of a national plan by the Japanese Ministry of Finance to try to strengthen Japan's banking system, a Finance Ministry source told *EIR* on March 30. "Barings was not the last" crisis, the source noted. Authorities fear more international incidents, and many Japanese banks have very high levels of bad debt. However, the source admitted, this strategy "would not work if, as you say, the entire global system is collapsing."

The merger creates the world's largest bank with assets of \$808 billion, surpassing the current largest bank in the world, the rival Mitsui group's Sakura Bank (assets \$595 billion).

The new Tokyo Mitsubishi Bank, however, has the lowest amount of bad debt in proportion to total loans (2.5%) of Japanese banks, most of which have a bad debt ratio in the range of 5-8%. The Finance Ministry plan is to have the new bank rapidly sell and get off its books its bad debt, and then act as a "white knight" to buy out other, weaker banks, whose bad debts it theoretically should be able to absorb and then sell off. Last October, Mitsubishi took over Nippon Trust Bank just before it failed, under such a Finance Ministry plan.

This is necessary, the source said, due to the watering of the Finance Ministry and Bank of Japan (central bank) for their bailout earlier this year of two failed credit unions—a scandal blown up by Kissinger-linked legis-

lators such as Ichiro Ozawa. "The scandal has made it too difficult for the government at present to mount further rescues of weak banks directly," he said, "so this is part of a public-private fallback option."

The Mitsubishi group historically was a key collaborator of American Hamiltonians such as E. Peshine Smith, in creating Meiji Japan's heavy industry. The Bank of Tokyo, founded by Okuma Shigenobu, Meiji Japan's Alexander Hamilton, was created to make Japan independent of Britain's Hongkong and Shanghai Bank, which controlled Asian money markets. It had the sole license to deal in foreign trade and foreign exchange in Japan, a license unsuccessfully sought by HongShang and its allies in the Mitsui group for years. During postwar reconstruction, the Bank of Tokyo was the only bank in Japan allowed to conduct foreign operations.

## France

### Real estate collapse costs banks dearly

The collapse of real estate markets has caused losses of 200 billion francs for French banks, the German daily *Frankfurter Allgemeine Zeitung* reported on March 30. The situation in the housing sector has turned into a highly controversial policy issue in the ongoing French presidential campaign.

The losses have been caused by a drop in real estate prices, mostly in the inner-city areas, by 40-50% over the past one or two years, with an accelerating tendency over the most recent weeks. So far, many banks have kept their property in reserve and have not sold it, in the hope that prices would recover and balance off the otherwise lost investments. Because many banks are in a difficult situation, however, it is generally expected that they will be forced to sell sooner or later, which will accelerate the crisis in the real estate market.

Rumors in Paris also have it that the full truth about the disaster at *Crédit Lyonnais* will not be made known before the presidential elections, and that the government has covered up the facts for reasons of campaign politics.

## Germany

### Payments on 'old debt' will cause job losses

Payments on the "old debt" of the former East Germany will cost 72,000 jobs, according to a study by the Munich-based economic research institute IFO, the German economic daily *Handelsblatt* reported on March 27. The study deals only with the "old debt" in the housing construction sector.

Beginning on July 1, east German housing companies will have to start payments on this "old debt." According to the IFO institute, this will lead to a shortfall of DM 4.4 billion (roughly \$3 billion) of investments in the construction sector and an annual decline of Germany's overall economic production of almost DM 8 billion. Roughly 72,200 full-time jobs will be eliminated in this process (57,500 in eastern Germany and 14,700 in western Germany). The debt service on the old housing debt will result in an additional cost of DM 1.16 on every square-meter of housing constructed by east German companies.

Meanwhile, east German municipalities estimate that the number of children between the ages of three and six will fall dramatically, from 600,000 in the year 1991 to only 215,000 in the year 1999.

## Petroleum

### Nigeria proposes South Africa as oil partner

Nigeria could supply 100,000 to 150,000 barrels of oil a day to South Africa, and it sees that nation as a strategic location for supplying Far Eastern markets, Nigerian National Petroleum Corp. crude oil marketing services general manager Taiwo Idemudia said in Johannesburg on March 30, Reuters reported. "In Nigeria, we see South Africa as a partner in progress."

"The total requirements of South Africa are about 600,000 barrels a day, with around 450,000 barrels being crude oil and 150,000 barrels coming from Sasol," he said, referring

to the local synthetic fuel producer. "With that type of market, certainly, Nigerian crude oil . . . could make an inroad into the market of 100,000 to 150,000 barrels a day."

He said South Africa could save around \$1 a barrel in freight costs compared to the cost of importing Brent crude from the North Sea. Idemudia said Nigeria could also benefit from selling crude to South Africa in terms of its strategic location. Asked if his country had sold oil to South Africa in the past, he replied, "Not Nigeria, as Nigeria." Nigeria recently removed restrictions on the sale of its oil to South Africa.

On the compatibility of Nigerian crude for local refiners, who recently spent considerable sums converting refineries to handle heavier crude, Idemudia said a change to blended crude would be to the eventual benefit of South Africa. "Our crude will be excellent for blended purposes here. Over the longer haul, you will maximize your yield if you begin to switch to Nigerian crude."

## Nicaragua

### High-speed rail proposed to link two coasts

A high-speed rail line across Nicaragua that would connect the two coasts has been outlined in a proposal presented by a group of European and Chinese firms to the government in Managua. The connection, which would run between Punto del Mono on the Atlantic coast and Asterillo on the Pacific coast, would be 400 kilometers long and would especially service the transport of freight containers, German media reported in late March.

The project, which is coordinated by the Inter-oceanic Canal Group, is seen as an alternative to a second Panama Canal, which has been under discussion for several years. Germany's Siemens Corp. offered to provide the high-speed locomotives and rolling stock, while the construction part of the project would be carried out by several British, Dutch, and Chinese companies. The estimated cost of the track is \$1.3 billion.

● **DEUTSCHE BANK** Chairman Hilmar Kopper said on March 29 that bank profits fell 73%, from DM 2 billion in 1993 to DM 500 million in 1994. Bond trading losses were DM 369 million, operating profits fell from DM 4 billion to DM 2.9 billion, and pre-tax profits of its subsidiary Morgan Grenfell in London declined 34%.

● **ZIMBABWE**, emerging from its worst drought this century, is facing another water crisis. "All our dams are virtually empty. . . . What we are worrying about is . . . drinking water, for people and animals," said James Khatso, general manager of the state regional water authority, Reuters reported on March 28.

● **SOUTH KOREA** said on March 29 that it had taken four Russian helicopters as partial payment on a \$1.47 billion loan owed by the former Soviet Union which has been holding up Korean investment and trade in Russia.

● **BELGIAN** scientists have developed an AIDS test which is able to detect the virus on the day of infection. Until now, one had to wait three months after infection in order to get a correct test result.

● **THE BULGARIAN** Black Sea port of Varna and the Georgian port of Poti agreed on April 1 to reopen a truck and ferry route between Europe and Asia on June 1. The route is part of the old "Silk Route," which linked Europe to Central Asia and thence to China. The Poti port manager said that the two ports intended to establish a triangular route with the Ukrainian port of Ilichovsk.

● **JORDANIAN** and Israeli officials met on April 2 to develop a joint strategy for developing the Jordan Rift Valley, in preparation for a regional economic conference in Jordan in October. Among the plans, is a \$3 billion canal to bring Red Sea water to the Dead Sea.