

Business Briefs

Nigeria

Economic program to break with IMF plans

The Nigerian government, unable to reach agreement with world financial institutions on a medium-term economic program, is drawing up a policy to be introduced in September, IPS news service reported from Lagos under the headline, "Nigeria: Parting Ways with Orthodox Structural Adjustment." The policy is being drafted by the National Economic Intelligence Committee (NEIC), a think-tank of economic advisers set up by Nigeria's head of state Gen. Sani Abacha, with input from local financial experts, industrialists, and academics. Under the program, the government, rather than the International Monetary Fund (IMF) and World Bank, will "hold the ace," said NEIC Chairman Prof. Sam Aluko (see *EIR*, July 29, 1994 for an interview with Professor Aluko).

In May, Finance Minister Anthony Ani declared that the government would not raise fuel prices, because they were not being subsidized, contrary to the claims of the IMF. In June, Planning Minister Chief Ayo Ogunlade confirmed that the IMF had "refused to approve our draft medium-term economic program." Nigeria's foreign debt, originally \$17 billion, has risen to \$32 billion, despite the repayment of \$10 billion of principal. "That kind of arithmetic is a little bit difficult to swallow," he said.

The government had proposed a freeze on interest charges for 15 to 20 years, in order to use money normally spent to service the debt (\$2 billion a year in 1994 and 1995) to revive industries and rebuild social infrastructure. Nigeria has also rejected the IMF argument that the domestic price of gasoline (11 naira, or 13¢ a liter) does not pass the international comparability test, i.e., that it is much lower than in most other nations. "As a minister of Nigeria, the most populous black African country," Ogunlade said, "I earn 58,000 naira (\$716) per year. How does the international comparability test compare with my colleagues in Europe or America?"

The government's resistance to the IMF has begun to earn it support from Nigerians, who deeply resent the 10-year-old Structural Adjustment Program. For example, Prof.

Claude Ake, who runs the Center for Advanced Social Science in Port Harcourt, had criticized the Abacha regime following the hanging last November of nine opposition activists, including writer Ken Saro-Wiwa. But Ake recently commended the government for its stance in its discussions with the IMF.

Italy

Economy is becoming a post-industrial wreck

Everything is down in the Italian economy in 1995 except television and movies, according to figures released by the National Statistics Institute on Aug. 7. The figures showed a country fully "on the road of post-industrialization," as characterized by the Milan daily *Il Giornale*. The data included:

Employment: There were 110,000 fewer employed, and 165,000 more unemployed, than in 1994. There were 93,000 industrial jobs and 84,000 agricultural jobs lost; 66,000 jobs were created in the service sector, for a total of 2.725 million unemployed and 20 million employed.

Demographics: There were 20,000 more deaths than births (as recently as 1992, there were 21,000 more births than deaths). The population increased by 64,000 only because of immigration. The number of marriages was at a historic low of 285,000.

Meanwhile, movie ticket sales went up, from 92.2 million to 98.2 million, and television subscriptions (paid to the state) were paid by 79 out of 100 families.

Education

Russia, Ukraine alarmed at funding decline

Russian Duma (parliament) Science and Education Committee Deputy Chairman Oleg Smolin lamented the low funding of education, and warned that it could seriously undermine Russia's long-term well-being, in *Megapolis-kontinent* (No. 32). Smolin, a

member of former Soviet Prime Minister Nikolai Ryzhkov's Popular Power Duma faction, cited World Bank estimates that spending on education fell from 7% of GDP in the U.S.S.R. in 1970, to 3.4% in Russia in 1994.

Smolin supported an amendment to the 1996 budget, raising this year's allocation for education from 15.2 trillion rubles (\$2.9 billion) to 29 trillion rubles. He said that the budget as it stands does not take into account pay increases for teachers envisaged in an August 1995 government resolution and that it is based on an average monthly salary for teachers of 316,000 rubles (\$60), one-third of the average in industry.

In Ukraine, the Ministry of Education has announced that it is cutting enrollment to the country's higher education institutions by 4,600 full-time students and laying off one-third of the teaching staff at medical schools, UNIAN news service reported Aug. 10. The measures are aimed at reducing the ministry's wage debt, which amount to 17.1 trillion karbovantsi (\$92 million) after the cuts. The ministry has also closed down 12 facilities that offered evening and correspondence courses, and plans to cut jobs at the country's scientific and research institutes.

Southeast Asia

Vietnam moves toward decision to 'go nuclear'

Vietnam is nearing a decision to build nuclear energy plants, according to documents prepared by the Vietnam Atomic Energy Commission and leaked by the European Nuclear Society's Nucnet information service. Dr. Nguyen Tien Nguyen, head of the VAEC, says the decision to "go nuclear" is now up to government policymakers, and that two studies now in progress will determine the outcome. The VAEC has expanded its Nuclear Power Center and is working with the national electricity corporation and Industry Ministry in conducting a survey on nuclear power development, to be completed by 1998. A second VAEC project, in collaboration with government agencies and research organizations, is looking at the scientific, technological, economic, and social implications of nuclear power development.

Dr. Nguyen says energy demand is rising 18% faster than predicted, with forecasted demand reaching 100 billion kilowatt-hours by 2010; current demand is 14 billion kwh. VAEC calculates that even with full exploitation of hydropower (which now provides 70% of need), coal, and gas, Vietnam will still fall far short of its projected requirements.

The head of British Nuclear Industry Forum, who recently returned from a trip to Vietnam and Thailand, expects both countries to "go nuclear." The most likely site in Vietnam would be a 600 MW plant along the central east coast. South Korea has proposed to build two plants, and close contacts also exist with Russia, China, and Japan.

Britain and the United States are also interested in the decision. The United States is in the process of removing Vietnam from the list of countries subject to nuclear embargo, and is moving toward laying down the terms for a nuclear cooperation agreement.

Technology

Maglev revolution cannot be overlooked

It would be a big mistake not to see the technological revolution in magnetically levitated rail systems, and to focus only on the crude efficiency of the Transrapid high-speed rail system in terms of ratios between passenger capacity, investments, and pay-offs, the director of the Magnetic Train Planning Group, Hans-Christoph Atzpodien, warned in an interview with the *Berliner Zeitung* on Aug. 12.

"This would deprive us of everything that has to do with perspectives and visions. Even critics of the project between Hamburg and Berlin acknowledge in their longer-term assessments, that in the end, we in Central Europe need maglev trains as an environmentally compatible substitute for short-distance air flights. Sometimes, I am concerned that once again, we are about to act only on the basis of present-day knowledge and neglect the perspective of this special technology," he said.

Atzpodien said that the most recent talks, between the transportation ministers of the

Netherlands and Germany, on extending the planned maglev rail line Hamburg-Berlin to Amsterdam, via Bremen and Groningen, "proves the chances of the maglev technology for becoming the transportation system of the future." The interest in a Hamburg-Amsterdam project (that would cost \$5 billion for the Dutch end of the line) shows the "potential of connecting the European metropolitan centers," Atzpodien said. He added that there is a good chance that the maglev rail line will also be extended into Europe's southeast.

Finance

Derivatives danger puts BIS in 'panic'

"There is a near-panic fight inside the BIS over derivatives," a member of the Bank for International Settlements Advisory Committee on Derivatives told *EIR* in mid-August. "For large banks, the big attraction of derivatives is that they can be done 'off balance sheet,' and, because of a loophole in the 1988 BIS Bank Capital Adequacy rules, banks do not need to set aside core capital against their off-balance-sheet derivatives exposures. This is the real reason for the explosive growth to \$40 trillion nominal value. BIS central banks, with one exception, are privately in a state of near panic," he said.

"We have looked at various means to control the risk, but a transactions tax on derivatives . . . would be unenforceable. . . . So, the idea BIS has developed, is to introduce a regulation mandating banks bring 'on balance sheet' all their derivatives exposure within three years from a given date. The BIS experts calculate that this would allow an orderly winding-down of the huge exposures to some 10% or at most 20% of today's levels," he said.

"But there is one central bank which is adamantly resisting, that is the Bank of England and the Major government. Very simply, derivatives are the heart of today's role of the City of London as a global financial center, and the change would devastate their influence internationally."

IRAN signed a gas agreement with Turkmenistan while it was signing deals with Turkey in August. Russia and Turkmenistan also reached a new major agreement for joint exploitation and transport of gas. "It is a kind of triangle deal, and it is extremely important," a Russian source told *EIR*.

VIETNAM has signed up Japan's International Cooperation Agency to prepare a plan for a high-tech industrial park west of Hanoi, the *Vietnam Economic Times* reported Aug. 12. The park will be built in three stages over 1998-2020, and will include research institutes, laboratories, universities, and factories, creating 67,000 jobs.

BULGARIA'S inflation rate is 300% annually, according to trade unions' data, ABC wire service reported Aug. 15. The official National Institute for Statistics forecasts a 150% annual rate of inflation. Over the last five years, average income has dropped 50%.

SARAJEVO received a commercial flight, from Istanbul, on Aug. 15, the first since the start of the Serbian war of aggression, as the Bosnian capital's battle-scarred international airport reopened.

THE PHILIPPINES trade deficit increased 39% in the first six months of 1996, the Aug. 16 London *Financial Times* reported. Exports grew faster than any other Southeast Asian country during that time, up almost 20%, but imports, mostly raw materials for process industries and capital goods which are re-exported, rose 26%.

THE FRENCH government said in mid-August that it plans another capital injection to rescue Cr dit Lyonnais, the huge state bank. Another FF 2-3 billion (\$400-600 million), on top of a similar sum last year, is to help cover a FF 8 billion deficit for 1995. Further losses would threaten to break apart the FF 50 billion bailout restructuring from the government, officials warned.