

Business Briefs

Ukraine

London set to grab choice industries

London's Transworld Metals (TWM) is positioned to take over key Ukrainian industries, including Ukraine's Mykolayiv Alumina Factory (MGZ), in the coming privatization. MGZ supplies almost half the raw material for the world's largest aluminum smelters, located in the Siberian cities of Bratsk and Krasnoyarsk.

With Anglo-Dutch financing, and a base in the London Metals Exchange, TWM replaced the Soviet central planning and trade institutions after the 1991 breakup of the Soviet Union, pre-financed alumina shipments, and rented the factories, emerging with substantial ownership stakes in the Russian factories. Now, the Ukrainian government of Leonid Kuchma, under the watchful eye of international speculator George Soros, is sabotaging efforts of MGZ management to keep control, and is throwing open bids to foreign investors such as TWM.

In 1995, MGZ had been a key element in efforts to break TWM's control over the Russian smelters. MGZ restricted sales to Bratsk in an effort to break TWM's (the majority shareholder) hold. Five or six Russians involved in this and similar efforts were murdered in 1995, the answer of the Anglo-Russian faction behind TWM. Now MGZ itself, one of Ukraine's most profitable companies, is to be sacrificed to Western hot-money vultures. TWM is operating behind a Liechtenstein company, Thermosyntex, which has taken 30% in Ukraine's largest fertilizer producer, Cherkassy.

Trade

Iran expands economic ties with Armenia

Senior Armenian officials and Iran's Deputy Foreign Minister Mahmud Vaezi, who was on a visit to Armenia, discussed plans to expand bilateral trade and economic cooperation, the *Monitor* reported Sept. 12, based on reports in the Iranian IRNA news agency.

The plans include construction of an Iran-Armenia gas pipeline and high-voltage electricity transmission lines, Iranian investment in upgrading Armenia's rail and road network, and a trilateral agreement on the transport of gas from Turkmenistan to Armenia via Iran as part of a three-cornered clearing arrangement among these countries. Armenian Trade Minister Vahan Melkonian, co-chairman of the bilateral Economic Cooperation Commission, declared that the relationship was a "top economic priority" for Armenia.

Iranian Vice President Hassan Habibi is scheduled to visit Armenia shortly. According to the *Monitor*, the link to Iran has become crucial, providing a critical route for Armenia to the outside world. Armenia's trade and communications are restricted by Azerbaijan and Turkey on one side, and by the interrupted rail and road links to Russia across Georgia, on the other.

Infrastructure

World Bank tells Asian countries to privatize

The World Bank's senior operations adviser for East Asia and the Pacific Region, Harinder Kohli, told Asian governments to rely on the private sector to finance infrastructure, in an interview with Reuters in late August. The emphasis on private financing has emerged as a major ploy of the revived British Empire, to block infrastructure development.

"In future, infrastructure must be treated as a business and not as a public sector," Kohli said. "Governments cannot rely on the public sector alone, because it has neither the necessary financial nor managerial resources." To back up this proposition, the World Bank sponsored a meeting of 100 public and private sector representatives in Jakarta, Indonesia in early September, "to find out why . . . attracting the private sector has been very limited."

The World Bank estimates that East Asia will need to invest \$1.2-1.5 trillion in infrastructure over the next decade, with rates of annual expenditure rising from \$75 billion to \$200 billion in the early years of the 21st

century. But, Kohli said, "that's not easy to do when governments are also trying to cut deficits and spending."

His solution? Privatize. Governments simply don't understand what the private sector will accept as a fair rate of return on investment, he said. "Most governments view private sector participation as meaning financing, but in reality, those countries that have been most successful, such as Chile, bring in the private sector to increase efficiency and competitiveness," such as running the government pension plan.

Governments also don't understand "acceptable risk," Kohli said. What East Asia needs are the debt capital markets to provide the long-term financing for infrastructure.

Nuclear Energy

Brazil's nuclear program is revived

The government of Brazil has decided to complete its second nuclear power plant, Angra II, which has been in limbo for several years, according to wire reports on Sept. 4. The decision contrasts sharply with the international trend of destruction of nuclear energy.

According to Guillermo Camargo, head of the Brazilian Association for Nuclear Energy, the decision to finish Angra II "is symbolic in this sense: The country is reinaugurating its nuclear program in full force, a program for generating electric energy through nuclear power plants as sources of energy produced nationally." The plant is scheduled to begin operation in 1999, and will raise the country's energy capacity to 1,300 megawatts. The plan is then to transfer Angra II's technology to a third nuclear plant, Angra III.

Klever Cosensa, manager of thermonuclear generation at Angra II and III, explained that financial problems prevented the government from proceeding with the original goal of the Brazilian Nuclear Program, which was to install eight nuclear power plants before the year 2000. But now, he said, the government is ready to resume the plan to achieve nuclear self-sufficiency,

as well as control of the complete nuclear fuel cycle.

Ronaldo Sardenberg, Brazil's secretary for strategic affairs, told *Nuclear Brazil* magazine that the budget for the National Committee for Nuclear Energy increased from \$13 million in 1992, to \$42 million in 1995, and the budget for Nuclear Industries of Brazil increased from \$21 million in 1992 to \$42 million in 1995. "For a country like Brazil, which expects to be among the international competitors, it is important to emphasize the development of science and technology," he said.

South Asia

Bangladesh, India to restore rail, water ties

Bangladesh will restore rail service to its southwest border for transporting goods to and from India, officials in Dhaka, the capital of Bangladesh, said, wire services reported Sept. 11. The rail link has been suspended since the 1965 war between India and Pakistan. Also, on Sept. 7, it was announced that India and Bangladesh would end their decades-long dispute on sharing water from the Ganges River, and they expect to reach an agreement by December.

Bangladesh officials noted that the 21-mile rail link between the southwestern district of Jessore to Benapole was expected to be opened in May 1997. The Bangladesh Railway is trying to arrange the \$6 million needed for buying sleepers and repairing the signal system, they said. The link will facilitate direct rail links between the Bangladesh port city of Khulna and Calcutta, capital of India's state of West Bengal.

The plan to revive the rail link comes amid speculation that Bangladesh's new government under Prime Minister Sheikh Hasina may accept New Delhi's plea for a land transport route through Bangladesh, which would serve India's isolated northeastern states. A railway official said the state-run railway would turn a profit if it was allowed to carry Indian goods. He estimated that two trains running daily between West Bengal and India's northeastern state of Tripura through Bangladesh, would earn Ban-

gladesh Railway at least \$15 million a year. The official added that with the Calcutta port facing silt problems, the Jessore-Benapole link would encourage traders from both India and Nepal to use Bangladesh's second sea port at Mongla, near Khulna.

Czech Republic

Banking collapse hurts Mont Pelerin's Klaus

On Sept. 17, the Czech Central Bank put Agrobanka, the fifth largest bank in the Czech Republic, into "temporary receivership," in order to prevent a run on the bank. This is the twelfth bank in the Czech Republic which has collapsed or had to be rescued by central bank intervention in the last three years. According to the Austrian daily *Die Presse*, the wave of banking collapses "has shocked the Czech people." Prime Minister Vaclav Klaus, a darling of the free trade Mont Pelerin Society, emphasized in a radio interview that, in the end, the taxpayer will have to make good for all the losses.

Agrobanka, the largest fully privatized bank in the Czech Republic, was controlled since the end of last year by the dubious investment fund Motoinvest, which had bought up a large number of privatized Czech companies during 1995 and 1996. Motoinvest was closely linked to Kreditni Banka, the bank that collapsed earlier this year after losses of about \$440 million. Over Sept. 14-15, the Czech police had arrested an executive of Motoinvest, who is also a member of the Agrobanka supervisory board, as well as three Kreditni Banka managers. The Motoinvest general director, Tykac, has left the country, because he feared for his life, he stated in a letter.

According to the German daily *Frankfurter Allgemeine Zeitung*, Czechs are close to panic. It quoted President Vaclav Havel, who recently said that the "cancer" inside the Czech banking system has to be cut out. The head of the Social Democrats, Zeman, has called for a parliamentary commission to investigate "who is stealing the taxpayers' money." Obviously, Zeman stated, all the much-praised "reform successes" are nothing but "Potemkin villages."

CHINA'S elimination of tariff-free privileges in April for foreign investors increased revenues 20.2% for the first half of the year, *China Daily Business Weekly* reported Sept. 2. It said that capital inflow was not reduced, and that tariff revenue also rose "markedly."

IRANIAN and South African experts "are working on an important project on natural gas, and the two countries will sign a memorandum of understanding," Iranian Oil Minister Gholamreza Aghazadeh told the *Teheran Times* Sept. 7. Iran supplies 70% of South Africa's crude oil.

THE ASIAN Development Bank said Sept. 10 that it had approved a \$52 million loan to Laos to finance a hydropower project. The \$112 million project will have a capacity of 60 megawatts, and will generate 215 gigawatt-hours of energy per year upon its completion in 1999.

THE GERMAN Reconstruction Bank will open a special credit line for projects in China, the *Berliner Zeitung* reported Sept. 8. The plans were announced in the context of the Sino-German industrial exhibits in Beijing the week before. It is to especially support investments by middle-sized German firms, preferably in joint ventures with Chinese firms.

CAMBODIAN Prime Ministers Ranariddh Norodom and Hun Sen have decided not to cut 1 in 10 public service jobs both this year and next, the *Phnom Penh Post* reported Sept. 9. The International Monetary Fund is demanding that 135,000 soldiers, police, and other civil servants be eliminated, despite the war with the Khmer Rouge and the drug war.

MALAYSIA will sell its national railway system to private investors for \$799 million, the Sept. 12 *International Herald Tribune* reported. Renong Bhd. will own 50% of a joint-venture company, and two others, including Bolton Properties, which specializes in "property development and finance," will own the rest.