

Business Briefs

Transportation

China wants quality products, says German

China wants solid, high-quality products for its railway development programs, and a heavy-duty switch which the WGB Brandenburg firm has developed for the Shanghai Railway Authority may soon be produced in a joint venture, a spokesman for the firm told *EIR* on Feb. 27. The switch has been tested for almost a year, along with products of other companies, including from Japan, France, and Sweden, but only the WGB switch has survived 110 million tons of rail freight, without any damage.

This particular switch was developed by WGB, a *Mittelstand* (medium-sized) firm that produces 1,500 switches per year for Chinese rail transport needs, on the basis of modern German switches for high-speed rail lines. A core component, welded from a special steel, has been inserted, to make the new switch for Shanghai.

The Chinese told the Germans that China does not just want to buy a product made entirely in Germany. But the Chinese also understand that the Germans don't just want to sell the know-how, and leave all the rest to the Chinese. So, when the joint venture materializes, the switches will be built in China. The German firm will build the core component (the one made of the special steel) in Germany, and ship it to the Shanghai plant.

Communications

Optical cable linking China, Russia starts up

The first fiber optics cable linking China and Russia began operation on Jan. 28, China's *Renmin Ribao* reported. Joint inauguration ceremonies were held in Harbin, China and Khabarovsk, Russia, and television pictures were transmitted over the cable. This is China's first operating international land optical cable.

"The 970-kilometer China-Russia optical cable starts in Harbin in Heilongjiang

province, passes through Fuyuan, stretches over Wusuli Jiang at the China-Russia border, and reaches Khabarovsk, an exit point of Russia in the Far East. It is 820 kilometers long inside China, and 150 kilometers long inside Russia. It is linked with Beijing and Moscow through the domestic telecommunications systems of each country. It can also be linked with other international optical cables," the paper said.

The completion of the project "will further promote the development of a China-Russia strategic partnership, and increase political, economic, and cultural exchanges," the daily commented. Optical cable projects linking China and Japan, and China and the Republic of Korea, are also under way. "China will also complete a number of international optical cable projects, including the China-Southeast Asia land optical cable project, the universal optical cable project, the Asia-Europe optical cable project, and the China-North America submarine optical cable project," it said.

Space

Russian enterprises shrinking, bankrupt

Russia's space industry, the R&D and manufacturing facilities that were the guts of the Soviet Space program since the 1950s, has shrunk by 42% since 1991, Russian Space Agency (RSA) head Yuri Koptev said on Feb. 24, at a press conference marking the fifth anniversary of the establishment of the agency. "It has lost a lot of its fixed assets. We have grown old in this respect," he said. "Our group of satellites has also become old. [Their] age has doubled during the past five years." More than 60% of the satellites today are already past their design life, he said.

International cooperation added \$471 million into Russian space industrial enterprises last year, Koptev reported, which "is only slightly less than what was allocated by the state for the fulfillment of the federal space program." This funding for the Russian space effort was largely from payments for foreign astronauts to spend time on Mir, the Russian space station, and the \$150 mil-

lion or so NASA pays the RSA annually for the use of Mir and the construction of components of the international space station. But this supplemental support could not stem the hemorrhaging of the industry. According to Koptev, 11 enterprises "have been found to be on the verge of bankruptcy," but if they were paid what they are owed by the Defense Ministry and the space agency, eight would be "capable of surviving this situation."

In March, Koptev said, the RSA will be studying the situation at each enterprise, and will "determine the place, role, and workload of each enterprise." He added, "We will no longer take the attitude that we should support something for the sole reason that this may become handy at some point in the future. We will put an end to the former altruistic approach. We will not be able to afford this." However, he said that there are experimental facilities that will be given state support, because they "are our national wealth. They cost more than 5 trillion rubles. We can't throw away all this today while saying we will rebuild everything tomorrow."

Money Laundering

Threat to financial stability considered

The threat that money laundering in Asia poses to global financial stability, was the subject of a symposium in Bangkok, Thailand on Feb. 24-26. Fernando Carpentienri, the president of the international Financial Action Task Force, which hosted the symposium with the Thai Office of Narcotics Control Board, told the 170 delegates from 39 nations that the purpose of the meeting was to detail the threat to economic stability and to seek effective countermeasures, including recommendations for tough anti-money-laundering laws.

One Thai legal expert cited Chulalongkorn University's study of the "black economy" in Thailand, which showed that prostitution, gambling, narcotics, and assorted other illegal activities accounted for a minimum of \$30.8 billion in 1995. "Thailand is the main drug route originating in the Golden

Triangle and a massive amount of black money is laundered there," he said. He said banks are the main culprits. "Banks, hotels, restaurants, and many service sectors are part of money-laundering networks used by drugs syndicates."

The biggest money-laundering scandal to hit Thailand in the past year was the government's \$3 billion bailout of Bangkok Bank of Commerce, headed by British-trained banker Saxena Rakesh, a close political ally of former U.S. President George Bush's pal Adnan Khashoggi, and India's Chandraswami. In the past few weeks, a real estate company linked to the British Broadcasting Corp. was the first in the bloated real estate sector to default on payments.

Finance

Pensions looted to prop up the bubble

Pension funds are being looted to keep the speculative bubble inflated, Publio Fiori, national coordinator of the National Alliance, the second largest opposition party in Italy, and a member of the conservative parliamentary bloc, said in an interview with the Rome daily *Il Tempo* on Feb. 28. Fiori recently introduced a parliamentary interrogatory, demanding a "new Bretton Woods system."

Fiori stated, "It is the international speculators who want the sacrifices of the poorest. . . . A large chunk of financial operations are virtual operations, in the sense that they are uniquely based on speculation, without a productive apparatus backing them. Not accidentally, a large part of world investments today takes place as virtual titles, so-called derivatives titles, which allow colossal gains, on one condition: that the world economic system holds together. Otherwise, those huge gains will become huge losses."

Fiori warned, "We are going toward the loss of national identity to satisfy big speculators like [George] Soros." But, "a citizen is more important than a virtual operation on a virtual title," he said. "It is absurd that a left-wing government does not understand this." Fiori said that his party "will not ac-

cept taxes on pensions. The role of the right wing must be, above all in this phase, to defend those popular interests which today nobody wants to defend any more . . . as well as the middle class."

Debt

French state-run firms under impossible load

The debt of France's state-controlled companies is 600 billion francs (\$105.24 billion), Finance Minister Jean Arthuis admitted on Feb. 28, the *International Herald Tribune* reported. This is an estimate, but it is already about 6.3% of France's Gross Domestic Product, and more than twice the annual national public deficit. The admission came in the context of the latest state bailout, of FF 20 billion for the insurance Groupe GAN.

GAN has suffered huge losses on property loans and insurance underwriting in recent years. The government plans to privatize it after the bailout. GAN shares shot up on the stock market after the announcement, on the assumption, as one analyst said, "that the government is pretty much writing a blank check."

Arthuis acknowledged that saving Cr dit Lyonnais (which is now being rescued for the *third* time), would cost the taxpayer at least FF 50 billion, but many analysts, looking at past bailouts, say this figure will be FF 100 billion.

The French government, which is cutting investment and social benefits to the bone to meet the Maastricht criteria, also bailed out Air France for FF 20 billion during 1994-96, GIAT industries for FF 3.7 billion in 1996, and G n rale Maritime et Financier for FF 3.4 billion during 1993-96. It will also pour FF 11 billion into Thomson Multimedia Electronics, to make this company, like the others, "fit" for privatization.

Nearly all funds raised last year by selling the government's holdings of Elf Aquitaine and Renault, have gone into recapitalization of state companies, and the same will happen in 1997. Some FF 10 billion left over from last year's sales, will be used for rescues this year.

Briefly

A CRASH on world stock markets is coming, said Andr  Bartholomew Kostolany, in an commentary in the German daily *Frankfurter Allgemeine Zeitung* on March 1. Kostolany, 91, is known as "the *grand seigneur* of stock market gurus," and an advocate of traditional stock market investing, instead of today's short-term casino gambling practices.

GERMANY'S unemployment figures rose by 120,000, to a new postwar high of 4.8 million in February, increasing the rate to 12.5%, up from January's 12.2%. *Bild am Sonntag* reported March 2. February figures were to be officially released by the Federal Labor Office on March 6.

TAJIKISTAN President Emomali Rakhmanov signed a decision on border trade and speeding up development of a road project to China through the Kulma Pass, Tajik radio reported Feb. 18. Rakhmanov's press secretary said that the decision envisages opening a border trading zone with China in the Gorno-Badakhshan Autonomous Region.

INDONESIAN legislators approved a revised nuclear power bill, according to press reports. Research and Technology Minister B.J. Habibie told reporters that construction would be subject to public referendum. Agencies under his control have proposed building 12 nuclear plants.

ARMENIA AND IRAN will soon connect their power grids over the Arax River, Armenia's deputy energy minister said on Feb. 22. Iran reportedly plans to supply Armenia with 200 megawatts of electricity a day beginning in late March.

UKRAINE and Georgia discussed cooperation on Feb. 14. Interfax reported. Issues raised included starting the Poti-Odessa railway-ferry service. Ukraine's Prime Minister Pavlo Lazarenko "reaffirmed Ukraine's preparedness to participate in the supply of pipes and pumping equipment for the oil pipeline" from Azerbaijan across Georgia.