

Business Briefs

Industry

Outsourcing kills R&D, say Japanese

Many of Japan's industrial firms are abandoning outsourcing and moving their production back to Japan, according to industrialists interviewed by Japanese radio on April 2. Several industrialists said that it is wrong to look just at the cost of production, i.e., seeking cheap labor to reduce costs, but that industry has to develop a new innovation every three months, which has been the strength of Japan since 1945. This, they said, is crippled by outsourcing.

The industrialists explained that a typical mistake has been to separate production and development, keeping development in Japan and moving production to cheap-labor countries such as Korea and Malaysia, where labor costs are only one-tenth those in Japan. The industrialists discovered that when the technical people cannot see what is happening in the company, they do not get any new ideas. Also, they said, implementing new production methods requires a developed labor force, and to realize new ideas in the form of new products, means that production must be carried on in Japan.

The statements confirm what Lyndon LaRouche has emphasized, that it is ideas, human creativity, that drive the economic process, and if you skip that aspect, you fail.

Nuclear Energy

China's fast breeder nears commercial use

China plans to complete its first experimental fast neutron reactor (fast breeder) by 2000, Xinhua reported on March 6. It will cost 860 million yuan (\$103 million), and is the largest energy project in the state's high-technology development program. "To build a fast reactor power plant is of vital significance for China's energy development in the next century," said Yang Tianlu, vice president of the China Institute of Atomic Energy and general director of the fast reactor project. The reactor will provide the technical basis for the country's first

commercial fast reactor power plant at the beginning of the next century.

China's annual energy needs will be equivalent to 1 billion tons of standard coal by the middle of the next century, according to a report on "China's Energy Needs by 2050," which was jointly produced by the China State Science and Technology Commission and the State Planning Commission. Experts estimate that China will develop a nuclear power capacity of 40 million kilowatts by the year 2020, or 6% of the country's electricity-generating capacity, as compared to 1% currently.

China is now second in the world in terms of overall electrical-generating capacity, Minister of Power Industry Shi Dazhen said on March 3. Shi said that China generated 1.075 trillion kilowatt-hours of electricity last year, and there are now 12 provinces, municipalities, and autonomous regions in which electricity is available in every village. China's goal is to bring electricity to 95% of its rural families and make it available in every county by 2000. Meanwhile, construction has started on two nuclear power units for the second stage of the country's Qinshan Nuclear Power Station in Zhejiang Province, each with a generating capacity of 600,000 kw.

China plans to issue bonds for power industry enterprises to raise funds, and will speed up the listing of those enterprises on the stock market this year, Shi said. In the past several years, China has used \$12 billion in foreign investment in its power industry.

Kazakhstan

Asset-stripping is creating 'ghost towns'

Leonid Solomin, head of the Kazakhstan Confederation of Independent Trade Unions, said that the sell-off of industry to foreign investors is creating "ghost towns" throughout the country, wire services reported on April 3. Solomin listed 56 towns in which major industrial firms have been closed by their new owners.

The Russian periodical *Ekspert* reported in its Dec. 16, 1996 issue, that most of the raw-materials-refining capacity of Kazakh-

stan has been turned over to foreign investors in "manage and lease to buy" deals. "Evidently, 90% of the country's industry has already been sold," it said. Often, purchasers are offshore-registered firms, which are fronts for international raw materials cartels and/or Russian crime-riddled raw materials and financial interests. Yusef Duberman, the deputy chairman of the Kazakhstan State Committee on Privatization, said last year, "If we don't sell these enterprises cheap, they will continue to be loss-making" operations for the state.

Now, Kazakhstan's infrastructure apparently is going on the auction block. Agence France Presse reported in late March that the British National Grid Company has won a tender to upgrade Kazakhstan's electricity grid, but Deputy Finance Minister Zhannat Yertlesova described the new relationship in terms of "ownership." "I have no problem with foreign ownership. The main thing is that there is an owner," Yertlesova said. The "upgrade" to be carried out by BNGC focusses on the installation of new meters, a key element in International Monetary Fund demands upon the former Soviet republics, to be able to monitor more closely the reduction of utilities' subsidies.

Eurasia

Iran announces progress on pipeline, rail links

The Eurasian Land-Bridge is continuing to be built, as reported in the April 3-4 Iranian newspaper *Ettela'at* and the March 25 *Iran Report*. A 140-kilometer pipeline that will transport natural gas from Turkmenistan to Iran, should begin operation on Sept. 1, Turkmenistan Energy Minister Gotschmurad Nazdschanow said at a recent conference in Ashkabad, the capital of Turkmenistan. Mehdi Hosseini, the head of the exploration department of the National Iranian Oil Company, added that half the pipeline has been finished, despite U.S. pressure to block cooperation with Iran.

The Iranian construction teams reportedly laid 800 meters of pipeline per day in the western Karakum Desert. This pipeline, the first to export gas from the Caspian Sea

without traversing Russia, will transport gas to Iran, for further export to Turkey and Europe. In the first year, 2 billion cubic meters will be supplied. Iran has assumed 90% of the financing for the \$190 million project, which will be reimbursed over three years by gas deliveries.

At the same time, Iran has announced that on May 14, the first anniversary of the opening of the Mashhad-Sarakhs-Tajan rail link, a passenger train will begin operation between Mashhad and Ashkabad. The manager of the Khorasan Railway Co., Majid Roshdi, in making the announcement, said that the Mashhad-Sarakhs-Tajan link would be used to transport 2.5 million tons of cargo annually from the Central Asian Republics to Iran, compared to 200,000 tons carried last year.

Bulgaria

Drastic cuts coming in public-sector jobs

Caretaker Labor Minister Ivan Neikov said that 160,000 state-sector jobs will be eliminated by the end of the year, in a bid to reduce budget outlays, *Omri* reported on April 4. He said that 100,000 industrial and 60,000 administrative jobs will have to go. Those who lose their jobs will have the choice of a one-time payment totaling \$250, or regular unemployment benefits over three months equivalent to their wages. It was also announced on April 3, that 24 state-owned firms will be privatized, most of which are export-oriented.

Meanwhile, the German daily *Frankfurter Allgemeine Zeitung* reported on April 1 on the crisis in the country's health sector. For example, even in Sofia, the Bulgarian capital, hospitals are without basic supplies of bedsheets, food, and syringes. "Luxury goods," such as aspirin and vitamin C, are nonexistent, and equipment is reused, for example, cardiac probes, as many as five times. The main infant-care clinic at the University of Sofia had a budget of 4 million liv (\$2,700) in March, when it would have needed 35 million. The clinic cannot perform blood tests, and X-ray and other basic equipment is not available.

Trade

China, United States sign major deals

China's Prime Minister Li Peng and Vice President Al Gore witnessed the signings of two large contracts for U.S. business in China, on March 25. Boeing Co. signed a deal to sell five 777-200 jets worth \$685 million to China's international carrier, Air China, to be delivered during 1998-99. The deal had been delayed by politics, said Ronald Woodard, president of Boeing Commercial Airplane Group, but due to a "thaw in U.S.-China ties," China was now going forward with the order, for "more than commercial reasons."

The two leaders also witnessed the signing of a pact in which General Motors Corp. launched a long-delayed joint venture with Shanghai Automotive Industry Corp. to build medium-sized cars. Investment in the \$1.57 billion project in Shanghai will be shared equally by the two corporations.

Under a third agreement signed on March 25, China will formally allow Washington to maintain a consulate in Hongkong after 150 years of British tyranny ends at midnight on June 30.

Italy

Industrialists revolt vs. austerity policy

For the first time in postwar history, Confindustria, the national association of industry, has called an emergency meeting to discuss strategies for defense against new government austerity measures that are viewed as "detrimental" to the nation's economy as a whole.

In order to make Italy "fit for Maastricht" (i.e., reduce the budget deficit), the government, in its "creative bookkeeping" effort, has decreed that industry must pay taxes in advance, to compensate for the decreasing regular tax revenue and to help balance the state budget. This, Confindustria charges, will decapitalize the industry at a time when it needs all its resources to survive, and will lead to an increase in unemployment.

SCHILLER INSTITUTE for Science and Culture (Moscow) president Prof. Taras Muranivsky outlined how Russia has been destroyed by the International Monetary Fund, in an article titled "Lessons of 'Shock' Therapy—The Consequences of Foreign Interference in an Economy," in the April 3 *Nezavisimaya Gazeta*. IMF Managing Director Michel Camdessus was in Moscow at the time.

ROLAND LEUSCHEL, the former chief strategist for Banque Bruxelles Lambert, warned that by the end of the year the Dow Jones and the Dax will have lost another 15 to 20%, in a step-by-step down-sizing of the world stock markets. "This will be a salami crash," he said.

BRITAIN has fallen to number 15, in a comparative survey of health standards in 27 countries, the April 3 *London Times* reported. The survey revealed that the positions of those European Union nations whose governments have introduced budget-cutting policies, have dropped.

THE PHILIPPINES hosted finance ministers from member countries of the Asia Pacific Economic Cooperation group on April 5-6, culminating "several months of intense negotiations . . . aimed at reducing the risk of major currency and financial disruptions," the *Australia Financial Review* reported.

THE WORLD BANK'S vision for China in the year 2020 will be the subject of a World Bank-IMF seminar in Hongkong in September, the April 2 *Australian Financial Review* reported. The bank is promoting "build, own, operate, and transfer" (BOOT) projects, as a model for future infrastructure.

SOUTH KOREAN Finance Minister Kang Kyong-shik proposed more disastrous policies to treat the economy, which "is in serious trouble," he admitted on April 3. Korea must toe the International Monetary Fund line, he said. "What is called for is deregulation and promotion of competition."