

# Business Briefs

## *Economic Strategy*

### **Herrhausen murder changed German policy**

Schiller Institute representative Mark Burdman outlined how the assassination of Deutsche Bank Chairman Alfred Herrhausen brought about a radical shift in German economic policy, in an interview with the British Broadcasting Corp.'s "News-Hour" program, on Aug. 6.

After a short "Business" section item about the rise of German unemployment, the announcer mentioned the view of "Schiller Institute economic strategist Mark Burdman," about the fact that there had been a big change, in recent years, in German economic policy. In a segment from a recorded interview, Burdman said that the murder of Herrhausen produced a shift in German economic thinking, away from "real production," and toward "speculation" in derivatives and related activity. He added that a drumbeat is building in high-level German industrial circles, for Chancellor Helmut Kohl to be removed from office, and that Kohl had gotten himself into a "cul-de-sac, a dead end," by his insistence on "Maastricht above all."

## *Infrastructure*

### **Privately financed projects in trouble**

Privately financed infrastructure projects are running into serious trouble in East Asia, especially because of regional currency crises, the July 28 London *Financial Times* reported. The situation should provide ample warning against nations following British insistence that infrastructure financing be left to the private sector.

The private sector has "led the way" in funding Asian infrastructure in recent years, but the surge in infrastructure construction could slow down, after the recent currency depreciations. Most recently, the Thai government threatened to scrap construction of the privately financed Bangkok elevated rail and road project, worth \$3.7 billion. The developer, Hopewell Holdings of Hongkong,

must prove it has secured financing for the project. Hopewell executives were to meet bankers in London in July. Chairman Sir Gordon Wu said he is seeking a 10-20% increase in projected fares for the project, to compensate for losses because of the devaluation of the Thai baht.

Earlier, the project encountered funding problems due to the collapse of the Bangkok property market. Much of the project's revenues were to come from renting out commercial space to be built beneath the elevated transport system, which is planned to run from the airport to the financial district.

## *Australia*

### **New transcontinental highway under study**

Australia may build an east-west, transcontinental highway across the "dead heart" of the continent, from Perth, Western Australia, through Laverton, to Alice Springs in the Northern Territory (N.T.), taking in the Gunbarrel Highway, and on to Winton, Queensland, the *Sunday Times* reported on July 13. Called the Outback Highway, the project is strongly backed by Western Australia Transport Minister Eric Charlton.

Western Australia would have 888 kilometers to pave, from Laverton to the N.T. border, costing \$115 million, while Queensland and N.T. together would have less than 1,000 km to pave. There is one transcontinental highway already, but it goes across the lower part of the country, from Adelaide to Perth.

Four other major infrastructure projects have recently been discussed in the press: a high-speed railway from Melbourne to Darwin; two water diversion schemes for irrigation of inland tracts; and one or more space launch facilities.

Australia has three potential space ports. United Launch Systems Pty Ltd. plans to build one in central Queensland, while Space Transportation Systems plans to build a base at one of two sites just outside Darwin, and another firm, a consortium of South Korean, U.S., and Australian investors, is interested in a site for a billion-dollar port at Temple Bay on Cape York, North Queensland.

## *Transportation*

### **Russia can use Iran's expertise, says minister**

Russian Transport Minister Nikolai Tsakh called Iranian progress in the area of transportation "astonishing," the Iranian news service IRNA reported from Moscow. Tsakh, on July 16, said that Iranian officials attached special significance to expansion of their transportation system, and that their experience in the field, especially in road building, could be used by Russia.

Tsakh said that cooperation between Iran and Russia in transportation could serve as a firm bridge linking East and West, and that the Russian Transport Ministry has drawn up a long-term program for laying rail tracks between East and West through Iran, China, Russia, and Kazakhstan.

Tsakh said that Iran would cooperate, under a contract, with Russia in construction of the port of Olya on the Volga River on the Caspian Sea. Other cooperation with Iran, in transport and in trade via the Caspian Sea, is among the primary cooperative efforts of his ministry, he said. Iran and Russia have given priority to linking Iranian Caspian Sea ports and Russia's port of Astrakhan.

## *Russia*

### **Zyuganov: Privatization is destroying the nation**

Russian Communist Party leader Gennady Zyuganov, the main opposition candidate in the last Presidential election, on Aug. 1 denounced what he called the sale of the country's "juiciest pieces" in privatization auctions that are "liquidating the economic basis of Russia's state integrity." He said he had warned two months ago that there would be a powerful summer offensive by all forces hostile to Russia. Today this offensive is at its peak, he said, which is "directed at destroying the pillars of our state."

Among the six points Zyuganov identified as part of this offensive, were the destruction of "the economic fundamentals of our statehood and national security . . . intended to share the juiciest chunks of our

**INCOME** from short-term stock market speculation in the Netherlands in the first six months of 1997, is expected to equal that earned from work in the productive sector in the entire year, the Amsterdam daily *De Volkskrant* reported in late July. The total asset value traded on the Amsterdam stock market has increased 52% since January.

**IRANIAN** firms will invest \$4 billion in Mindanao, the Philippines, according to an agreement signed on July 20. The agreement is expected to create 50,000 jobs. Iran is to invest in an oil refinery, several liquid gas reservoirs, a steel mill, a cement factory, and a plant for manufacturing agricultural machinery.

**THE HIGHWAY** linking Kyrgyzstan, Uzbekistan, and China was opened on July 21, at a ceremony at the new Erkecham customs post on the Kyrgyz-Chinese border. Uzbek Prime Minister Utkir Sultanov said the Andijan-Osh-Kashgar highway will become the "transcontinental bridge between Europe and Asia."

**AID TO KENYA** has been blocked by the International Monetary Fund, because of alleged "corruption," the IMF said on July 31. The loss of aid is expected to force a new round of austerity in Kenya, which has been targeted by the British for destabilization.

**AZERBAIJAN'S** President Heidar Aliyev and U.S. Vice President Al Gore hosted a ceremony on Aug. 1, at which their nations agreed to establish an inter-governmental energy dialogue. Chevron, Exxon, Mobil, and the State Oil Company of Azerbaijan also signed contracts for energy development.

**A UKRAINIAN** firm, Turboatom, has contracted with the Russian firm Zarubezhatomenergostroi, to design a turbine for Iran's Bushehr Nuclear Power Plant. It is expected to sign another contract in August to build the slow-rotation turbine, which will have an overall capacity of 1 million kilowatts.

property, first of all the communications systems, railways, and the power supply networks"; the "liquidation of the remaining social gains of our citizens, first of all the right to housing. This is being done by way of the so-called housing and utilities reform, by jacking up prices"; and, the destruction of the Army by a financial stranglehold.

Zyuganov denounced the auction of the Svyazinvest telecommunications firm, which he described as "one of the fattest chunks of property, the system of telecommunications, in a huge country from the Atlantic to the Pacific." The auction, he said, involves "a clash of two big groupings whose interests are represented in the government and the Security Council. And, unabashed, they are drawing the entire law enforcement system into their personal scandal. I would like to ask the law enforcement system to protect the law and state interests and not the interests of individual groups of firms and companies, regardless of who is backing the latter." Zyuganov added that, in his view, the "government is pursuing an impermissible policy. It is liquidating thus the economic basis of Russia's state integrity."

## Energy

### Enron, British grab resources in Mozambique

Two years ago, almost no oil companies were involved in exploration in Mozambique, but since the signing in late 1995 of a Memorandum of Understanding (MOU) between the government and Enron Corp., a U.S. oil company tied to the George Bush networks, exploration or production-sharing contracts have been awarded on 10 blocks covering the whole of Mozambique's sedimentary area. And, South Africa's JCI Ltd. has announced plans to build an iron ore reduction plant, utilizing gas from the Pande or Temane fields. Pande is being developed by Enron, together with the state-owned ENH-Hydrocarbonetos De Moçambique.

In a recent report, the U.S. Embassy in Mozambique said, "The flurry of exploration and production-sharing contracts in the past 20 months has been impressive. . . . The involvement of major companies makes real

the possibility of an oil and gas industry in Mozambique."

Eloi Dolivo of the Geneva-based analysts Petroconsultants, said that nine foreign oil companies had signed MOUs with the Mozambique government, and Canadian company Canop was about to sign an MOU for the Xai-Xai block, covering about 38,000 square-kilometers north of Maputo, the capital. The promise of gas, and possibly oil, has already attracted majors including Atlantic Richfield, British Petroleum, and Enron. South Africa's Sasol Ltd. and Lonrho, a division of Lonrho Plc, are also active in Mozambique. Several junior oil companies, including Canop, Scimitar Hydrocarbons Corp., Leopardus Resources Ltd., Antrium, and Norbay Oil, are actively exploring. British Petroleum currently has exclusive rights to explore an offshore area of up to 40,000 km<sup>2</sup> in Mozambique's Zambezi delta.

## Germany

### Budget-cutting is destroying infrastructure

Rüdiger Pohl, the president of the Institute for Economic Research, Halle (IWH), warned against further cuts in infrastructure investments by federal and state governments and municipalities, under the policy of cutting budgets in an insane attempt to balance them, in a statement in late July.

The "attrition" of roads, public supply systems, including water, gas, and electricity, waste water management, and public buildings is becoming ever more visible, which is all caused by budget-cutting policies, he said. Germany is "more and more running down its public capital stock," he said, and the longer politicians allow this to happen, the bigger the problems will become.

The association of German construction companies recently estimated that the backlog of public infrastructure investments in Germany has reached 1.1 trillion deutsche marks (roughly \$700 billion). In comparison, in 1997, the overall interest rate expenditures of German households, in a time of record low interest rates, will be DM 138 billion, that is, two times total public infrastructure spending.