

# Business Briefs

## Belarus

### Government takes direct control over economy

President Aleksandr Lukashenko announced that the government has taken direct control over the economy, in a nationally televised address on the economic emergency, Agence France Presse reported on Nov. 12. Lukashenko took the unusual step of "apologizing to the people of Belarus for what has been happening lately," admitting that the administration has failed in its duty to halt the people's slide into poverty.

The specter of poverty and malnutrition looms for about half of the Belarus population. A recent survey by the Zerkalo polling institute, for example, found that 42% of the people interviewed in Minsk, the capital, said the quality of their meals has deteriorated since the Russian crisis of Aug. 17.

A Lukashenko spokesman said that an emergency economic program has been drawn up by the President, including the appointment of cabinet ministers to oversee market management and institute price and currency controls.

## Philippines

### Bangko Sentral bucks plan to tax hot money

Philippines Bangko Sentral (central bank) Governor Gabriel Singson is fighting a proposed plan of the Department of Finance to impose taxes on portfolio investment. Such a plan should be studied carefully, Singson said recently, the *Philippine Star* reported on Nov. 12. He added that the imposition of any type of capital control may be "a disadvantage at present, particularly when we are trying to revive our stock market."

Singson claimed that while Malaysia and Chile had imposed some form of capital controls, they have now abandoned them because they had a disastrous impact on their stock markets. Philippines Commercial International Bank president Rafael Buenaventura agreed, saying it will be difficult to distinguish "hot money" and the proposal may scare away portfolio investors. In fact,

Malaysia, which, under Prime Minister Dr. Mahathir bin Mohamad, has led the fight to curb speculators, has found the controls effective in limiting damage to its physical economy.

Philippines Finance Secretary Edgardo Espiritú, during his confirmation hearing at the Commission on Appointments on Nov. 11, revealed that the Department of Finance is studying the possibility of imposing a tax on portfolio investment as a form of check on so-called "hot money." Espiritú explained that foreign exchange speculation involves the inflow and outflow of hot money managed by so-called international hedge funds.

## Europe

### Review Maastricht, says Italian leader

Italian Prime Minister Massimo D'Alema proposed allowing "public investments to stimulate growth" in the euro-zone, in an interview with the Nov. 11 *International Herald Tribune*. "Those investments can be excluded from the calculation of the Maastricht deficit targets," he said. "This is not scandalous or heretical. I am not proposing that we print money. All I am saying is that if necessary, Europe could decide to reinterpret the stability pact."

D'Alema also pushed for a stable international currency system. "It would be illusory to think of a system that is too rigid, but on the other hand a completely unregulated system would also be dangerous," he said. He added that the International Monetary Fund and the World Bank "need a less monetarist approach." In the Asian crisis, "The sick patient had the flu, but they amputated the foot."

On Nov. 12, the German newspaper *Süddeutsche Zeitung* reported that a "breathtaking shift" has occurred in the "Euro Club," "shaking the very foundations of the Maastricht Treaty." A majority of European governments are now for lighter budget discipline, but "the most daring one was Italy's Premier Massimo D'Alema." A collaborator of D'Alema told *EIR* on Nov. 13 that D'Alema "had reviewed many of his ideas on the international economy" after his trip to China earlier this year.

## Petroleum

### Unocal suspends work on Afghan pipeline

Work on the \$2 billion pipeline project through Afghanistan will be suspended until the political situation there is resolved, the Iranian newspaper *Ettela'at* reported on Nov. 11, based on comments from the coordinator of Unocal Bharat Ltd., Ashwin Channa, from New Delhi. Channa says that he was quoting Unocal president John Imle. The pipeline is to go from Turkmenistan, through Afghanistan, and Pakistan, and from there to India.

Unocal, based in California, has a 54.11% share in the Central Asia Gas Pipeline Ltd., which was supposed to build the project. Other participants are Russia's Gazprom, Delta Oil of Saudi Arabia, and Rosgaz of Turkmenistan.

*Ettela'at* also reported that talks between Iran and India have resumed on an undersea pipeline project that would bypass Pakistan. Talks were held in Capetown, South Africa, on Oct. 29-31, between Indian Minister for Petroleum and Natural Gas V.K. Ramamurthy, and his Iranian counterpart, Bijan Namdar Zanganeh. They also discussed a gas swap option, whereby Iran would receive oil from Gazprom, and deliver a corresponding amount of its oil to India; this has been discussed between Iran and Russia as well.

## Kazakstan

### State oil company used to help build nation

The government of Kazakstan intends to maintain control over its oil, and to develop Kazakoil, the national oil company, the firm's president, Nurlan Kapparov, announced on Nov. 9. Oil provides 37% of state revenues.

The government will give Kazakoil, which is two years old, 25% of each new oil development project. This will ensure the viability of the concern, which the government also wants to use to regulate the activities of foreign firms coming into the region. For-

**UKRAINE'S** Parliament is trying to limit the government's increase of state debt, and has ordered an investigation into possible wrongdoings concerning contracting of state debts. Parliament Speaker Oleksander Tkachenko said: "The Parliament considers the government's constant increase of the state debt inefficient and dangerous to the economic security of the country."

**THE BULGARIAN** government should buy up the wheat surplus of 600,000 metric tons from this year, in anticipation of a bad harvest next year, the Bulgarian Agriculture Chamber has recommended. The planting of winter wheat this fall (the 1999 crop) has fallen behind schedule by 44% as of Nov. 3.

**CHINA'S** exports fell sharply in October, the official press reported on Nov. 12, the result of the economic crisis in Asia. Exports fell 17.3% on a year-on-year basis to \$14.73 billion, the third monthly consecutive decline. China's trade surplus fell 38.1% in October, due to the drop in exports. Imports fell 9.2%.

**CARGILL, INC.,** the world's largest grain-trading company, is in talks to acquire Continental Grain, which handles about 20% of all U.S. grain exports. This merger is grounds for anti-trust action, but the Department of Justice Anti-Trust Division in recent years has not crossed any commodities cartel restructuring, no matter how blatantly monopolistic.

**IRAN'S** oil revenues, which account for 80% of earnings, for the six months beginning in March, were \$5 billion, down 39% from the previous year. The government is negotiating with Japanese, German, and Italian creditors for \$3 billion in loans. The Nov. 12 *Wall Street Journal* mooted that Iran could default.

**1 MILLION PEOPLE** in the Horn of Africa face food shortages, according to a recent UN World Food Program report. The area worst hit is southern Somalia.

ign investment will be welcomed, especially in exploration, but the state's portion of the company will not be sold. This is a refreshing change from the trend toward privatization that the International Monetary Fund has been imposing on Central Asian Republics, which means selling out to foreign predators.

Comparing the Kazak oil company to the national company in Norway, which also grew thanks to state help, Kapparov said, "The importance of the oil sector for Kazakhstan is large and will grow. Since such a large part of the budget is from the sector, the government needs to control it. . . . In the U.S., the budget does not depend on the oil sector."

Kapparov said that Kazakhstan will produce 200 million tons of oil by the year 2015. The national pipeline company, Kaztransoil, is in the process of completing a study for construction of a pipeline to China, and the China National Petroleum Co. is considering participating in the project; it took over another Kazak oil firm, Aktobemunaigaz, last year. Kaztransoil has just been given over to Kazakoil.

## Agriculture

### Europe in worst farm crisis since 1930s

The steep decline in farm prices, which has been ongoing since the beginning of this year and accelerated in August with the outbreak of the financial crisis in Russia, is contributing to the worst farm crisis in Europe since the 1930s. All commodity prices are extremely low, and most do not even cover the cost of production. This year, hog prices have collapsed by more than 50%; prices for piglets are down by two-thirds. Beef is down 35%; sheep, 45%; milk, 25-30%.

Very bad weather conditions are contributing to the general misery; in many regions, weeks of heavy rains have transformed fields into lakes. Most crops have been harvested, but a portion of the potato, corn, and sugar beet crops, which are harvested late in the year, are either lost or, in the case of sugar beets, will lie in the fields until frost makes the ground hard enough to bring tractors into the fields.

Crisis meetings of farm organizations and state and national governments have been going on in the past weeks in all member countries of the European Union. Parallel to that, there have been many farmer protests, with more planned for the winter. The biggest demonstration, in Ireland in late October, drew 35,000 farmers in front of Parliament.

## Machine Tools

### Germany, Japan suffer declines in exports

Germany and Japan, the world's leading exporters of machine tools, are suffering severe declines in exports. Machine tools are a key indicator of the potential for future production.

According to the Federal Association of German Machine Builders (VDMA), foreign orders fell by 35% in September, compared to the year before. For the third quarter, foreign orders were down 21%. The decline was particularly strong in Asia, but demand has started to weaken also in Ibero-America, the United States, and member-nations of the Organization of Petroleum Exporting Countries. VDMA has lowered its 1999 growth forecast from 4% to -2%. Meanwhile, the German Economics Ministry announced a sharp decline of German industrial output in September, falling by a seasonally and price-adjusted 3.2% compared to August.

In Japan, machine-tool orders were down 35% in September. The Japanese machine-tool industry, still number-one in exports, is facing an ever-bigger drop in new orders. Since February, growth rates have been negative. In the first eight months of 1998, orders were down by 20% compared to the year before. In September, the decline of orders was 35%. While exports to China rose by 68% in the first eight months, exports to South Korea, Taiwan, and Hong Kong were down 36%, and exports into Southeast Asia were down 47%. According to figures presented by the Economic Planning Agency on Nov. 10, the September orders for the overall Japanese machine-building sector were down 18.2% compared to the year before.