

# Business Briefs

## **Eurasia**

### **Germany, China expand advanced technology ties**

A joint German-Chinese Bureau for Cooperation in Passenger and Freight Transport was formed in Berlin on Sept. 13, during a tour of Germany by a delegation of experts from China. The bureau is to work out an outline for potential projects, such as a Beijing-Shanghai high-speed rail line. German rail producers are hoping that Beijing, unlike South Korea recently, will choose their high-speed trains in 1994, when a decision is expected on building a new Beijing-Shanghai line.

The bureau is funded by the German East Asia Institute and the China State Committee for Transportation (CCTA). The Beijing-Shanghai line for high-speed trains is a priority project, the Chinese delegation said.

Also, intensified aerospace cooperation between Germany and the People's Republic of China is envisioned in an agreement signed between Jürgen Schrempf of the German Aerospace Corp. (DASA), a private sector firm, and Song Yian of the P.R.C. State Agency for Space Research. DASA is a daughter company of Daimler-Benz, the leading German producer of aerospace equipment and technology. Details of the cooperation agreement have not yet been made public.

## **Labor**

### **Massive job cuts planned in United States, Europe**

U.S. employers have announced plans to cut costs by slashing more than 400,000 jobs during the first eight months of 1994, about 20% more than in the first three quarters of 1991 "during the depths of the depression," UPI reported Sept. 18. Some of the planned layoffs include:

Du Pont has announced that its chemicals and specialties business will eliminate as many as 4,500 positions in the United States by mid-1994; AMR Corp. said its American Airlines subsidiary will cut 5,000 employees and ground aircraft by the end of 1994; U.S. West

Communications announced plans to eliminate 9,000 employees over the next three years; and Cigna Insurance Corp. will cut about 1,000 jobs in its health insurance division by the end of the year.

UPI states that, in Europe, "cataclysmic unemployment" will be fueled by layoffs at Daimler-Benz, which announced plans to eliminate 44,000 jobs over 1993-94 and "phase out" additional workers until 20% of its work force is gone by 1997-98. Besides its automotive division, which has been hit with a slump in commercial truck sales over the past year, Daimler-Benz's aerospace sector will cut back 10,500 workers within 15 months. Air France also announced it would eliminate an additional 4,000 jobs by the end of the year, as well as selling its Meridien hotel chain and cancelling flights in order to stem huge losses.

## **Currency Speculation**

### **Soros reportedly hit by huge losses**

Financial sources in Switzerland and London have told *EIR* that speculator George Soros and his Quantum Fund group have suffered devastating trading losses in recent weeks in their high-profile moves on world financial markets.

Soros is reported to have lost upwards of \$400 million in betting this summer that the German mark would collapse, and the French franc would rise. But the opposite happened and Soros was forced on July 31 to reverse his position and sell his franc holdings in a desperate bid to minimize trading losses. However, he was reportedly too late as the European Community finance ministers altered the rules of the Exchange Rate Mechanism on Aug. 1.

Since April, Soros has been key in promoting the buying of gold and gold bullion futures. The futures price of gold rose from the year-low of \$327 up to \$406 per ounce at the beginning of August, and Soros appeared positioned to reap huge profits. But a sudden collapse of the market, reportedly triggered by an unexpected selloff of gold reserves by the Bank of China, brought gold prices below \$350 per ounce, leaving Soros with trad-

ing losses there as well.

Soros has reportedly attempted to hide his problems by making several high-publicity announcements, such as the deal to buy a bloc of troubled American real estate properties from the Travellers Insurance Co., and moves to buy shares of two Swedish companies, Skandia and Handelsbanken. But all three deals were long since consummated and are only now being made public.

## **Trade**

### **Russia, Kazakhstan pact will promote trade flows**

A Russia-Kazakhstan trade package was signed by Russian Prime Minister Viktor Chernomyrdin and Kazakhstan President Nursultan Nazarbayev and Prime Minister Sergei Tereshchenko, in Kokchetov, Kazakhstan over the weekend of Sept. 11-12. One agreement will abolish, as of Sept. 20, all taxes and customs duties on goods exchanged between the regions of Russia and Kazakhstan which border on the other republic.

The agreement was hailed as an important bilateral example of inter-republic free-trade zones for bordering regions in the framework of the Community of Independent States (CIS) Economic Union, scheduled for Sept. 24. It sets a precedent for similar agreements, such as those Russia will push for between the regions of south-central and southern Russia bordering eastern Ukraine.

The parties also signed a barter agreement in which Kazakhstan will exchange 2.7 million tons of grain for 300,000 tons of gasoline and 540,000 tons of diesel fuel.

## **Vietnam**

### **Development push may never get off the ground**

Vietnam said on Sept. 19 it aimed to attract \$13-14 billion in foreign investment by the turn of the century, confirming it prefers private capital rather than aid to be the driving

force for growth. "Our objective is to attract \$13 to \$14 billion of foreign investment by the year 2000," the official Vietnam news agency quoted Dau Ngoc Xuan, chairman of the State Committee for Cooperation and Investment, telling reporters. He said foreign-invested capital would be used to improve infrastructure, create new factories, and increase export earnings and budget revenues.

But economic development may never get off the ground, if the International Monetary Fund plays a major role in Vietnam's economy. On Sept. 15, sources reported that IMF Managing Director Michel Camdessus will visit Vietnam, Cambodia, Laos, and China in the first half of October.

Diplomats and bankers in Hanoi say that Vietnam is on track for a deal in early October with the IMF that will bring it back into the international financial fold. And sources in Washington say that the IMF will provide a one-year standby credit and funds from its new Systemic Transformation Facility, set up to help countries like Russia shift to market-led economies.

## Japan

### Economic weakness underlies yen rise

"There is a total misunderstanding of why the yen has been rising," a European banking source with strong ties to Japanese finance told *EIR* on Sept. 14. "What has been driving the yen to postwar highs against the dollar this year is not a conviction that Japan is on the verge of a new economic boom, but rather it is liquidation of huge amounts of overseas assets in U.S. real estate, bonds, and such by troubled Japanese companies. The severity of the economic downturn in Japanese industry is vastly more serious than anyone is willing to admit."

Since January, the yen has appreciated 20% against the dollar and 25-30% against European currencies. This has had the negative effect of further hitting Japanese industrial export sales because of the high yen price. According to a study by the Japanese Planning Agency, about 80% of Japanese companies need a yen at 120 or lower to break even, but

the yen today is 106 to the dollar. The Bank of Japan has sold an estimated \$30 billion of its reserves since January in an attempt to prevent the yen from rising even higher.

## Infrastructure

### Malaysian minister defends giant dam

Brushing aside protests by green groups, Malaysia's energy minister said on Sept. 17 that a giant dam project in Sarawak state will not damage wildlife or plants and is worth the \$12 billion price tag because of the country's energy needs. "Environmentalists are not qualified to make comments on the economic feasibility of such projects," S. Samy Vellu told reporters. "World experts have found it feasible and viable." He said Brazilian and local experts spent years studying the project's feasibility and environmental impact and the government was happy with their report that wildlife and plants would not be harmed.

The project will take 10 years to complete and will supply 16,000 megawatts of power from Sarawak, on Borneo island, to peninsular Malaysia. "The project is vital to meet our energy needs. We have to spend the \$12 billion whether we like it or not," Samy said. Malaysia's energy needs, now 14,000 MW, are expected to reach 25,000 MW by 2010 and 30,000 MW by 2020, the country's target date to become an industrialized nation. He said power generated from the project could be sold to Brunei, Indonesia, and Thailand, but that Malaysia did not intend to become an exporter of electricity.

The design of the project (shelved during the mid-1980s amid protests from environmental groups) was revised to include a series of dams to minimize impact on the environment, Samy said. "Originally, we wanted to build one large dam but now there will be at least four cascading dams to ensure that too much water is not impounded at any one area. This will help protect the flora and fauna at the site." Samy said most of the project work will be done by a consortium comprising the state oil firm Petronas, state utilities giant Tenaga Nasional, the Sabah state electricity board, and the Sarawak Electricity Supply Corp.

## Briefly

● **CHINA** will begin a drive to boost exports to Russia, Southeast Asia, the Mideast, and Africa in a bid to reduce its trade reliance on western markets, according to the *Wall Street Journal*. Seventy percent of exports now go to Hong Kong and 25% to Europe and North America.

● **WORLD OIL PRICES** are in a severe collapse and are on the verge of turning into a "free fall," similar to events in 1986 when prices briefly dipped below \$9 per barrel, according to oil industry sources. The situation is not expected to stabilize any time soon.

● **POLAND** and China granted each other most favored nation trade status on Sept. 13, Polish TV reported. A trade agreement signed in Warsaw will boost Polish exports to China and help reduce its trade deficit. Trade between the two nations fell dramatically when hard-currency accounting was introduced in 1990.

● **THE PRINCETON** Tokamak Program said on Sept. 15 that its experimental fusion reactor recently produced enough energy to light a city for 4-5 hours. A university spokesman said that even if the world exhausted all other energy supplies, fusion power could indefinitely provide safe, clean, and limitless energy. He added that solving all the engineering problems will take "30 years."

● **ALMA ATA**, the capital of Kazakhstan, was quarantined on Sept. 13, in a drastic effort by authorities to contain a cholera epidemic. Cholera is believed to have been brought to the city of over 1 million by airline travelers from Pakistan. At least 99 cholera-infected travelers from the subcontinent are now in Alma Ata hospitals.

● **JACQUES DELORS**, president of the European Commission, called on Sept. 16 for a study of the possibility of reimposing controls on the movement of capital in order to combat currency speculation. Delors "threw the cat among the monetary pigeons," Reuters commented.