

Business Briefs

Finance

Euro-Parliament urges action against speculation

The European Parliament called on the Commission and Council of the European Union to examine measures for an international strategy against the shift of capital flows to "tax paradises," the German economic daily *Handelsblatt* reported on Dec. 15. The motion is based on a study by Greek Socialist Roumeliotis and an October hearing at which Jacques Delors called for international agreements against speculation.

The motion suggests measures, including: restrictions of capital flow with third countries, which is allowed by the Maastricht Treaty for a six-month duration; a tax on foreign exchange transactions connected to speculation; mandatory zero interest rate deposits at the central bank in domestic currency and in the same amount as the foreign exchange transaction; a trilateral currency agreement among European Union, United States, and Japan to harmonize taxation systems and regulations of financial markets; and a European initiative for the establishment of worldwide financial markets supervision.

Trade

Turkey, Iran cement trade, political ties

Turkey will buy 3-4 million tons of crude oil from Iran in 1994, under an agreement signed in Ankara on Dec. 22 at the end of a visit by Iranian First Deputy President Hassan Habibi, Reuters reported from Ankara.

An official statement said that a memorandum of understanding also provided for a study of ways to pipe Iranian natural gas to Turkey. The Turkish pipeline company Botas is to collaborate with Iran on ways to transport the natural gas to Europe via Turkey. The two neighbors also agreed to work on projects on joint ventures in car parts, energy exchange, developing road and rail links with Central Asian republics, and a maritime agreement.

Turkish Prime Minister Tansu Ciller saw Habibi off at the airport and said the visit had "riveted Turkish and Iranian friendship." Also reached was a security agreement, in which Iran will not allow Turkey's separatist guerrillas of the Kurdistan Workers Party (PKK) to operate on its side of the border, and Turks will be able to observe any operations taken against the rebels.

Algeria

New government seeks to avoid IMF conditions

Algeria is unable to pay its debt, Prime Minister Redha Malek said in a television interview in Algiers on Dec. 16, Reuters reported. He said that if oil prices continued to fall, Algeria's hard currency earnings in 1994 would be insufficient to cover debt service. The announcement of the financial crisis comes as Algeria has been increasingly targeted for destabilization by the West.

"With an eye to the balance of payments for 1994 and faced with the insufficiency of foreign credits, including those of the IMF [International Monetary Fund] and the World Bank, we have found it necessary to ask for an easing of the debt burden," he said. He added that with oil prices hovering at \$14-15 per barrel, Algeria will end 1993 with hard currency earnings below \$10 billion, while debt service is about \$9.3 billion per year on its estimated \$25.7 billion debt. "To put it another way," he said, "our income will be below the cost of the debt service."

In a Dec. 13 statement, the government said that it plans to negotiate an agreement with the IMF for multilateral refinancing of its debt. Rescheduling would require a devaluation of the dinar, a tightening of credit, and balancing the government budget, which would have meant an end to many social support programs.

"Rescheduling would have placed the country's economic policy in the hands of the Paris and London clubs, with all the stringent conditions that go with it, in an environment already full of threat," the statement read. "In absorbing more than three-quarters of export

earnings, the foreign debt service imperils not just economic development but the social and political stability of the country."

Aerospace

Industry suffers worst collapse since 1982

The decline in the U.S. aerospace industry that began in 1989 accelerated sharply in 1993, according to a report released Dec. 15 by the Aerospace Industries Association (AIA).

The report includes the following statistics: Total aerospace industry sales were down 10%, or \$14 billion; commercial airline purchases were down by \$8 billion; sales of civil aircraft, engines, and parts were down by \$7 billion; new orders for aerospace products and services fell by \$24 billion, a drop of 23%; and aerospace industry expenditure on new plant and equipment declined by \$1 billion.

The report notes that despite "the dismal sales picture," industry profitability has reached levels not seen in more than a decade, and admits that the cost cutting that made this possible has come largely through reduction of payrolls. By the end of 1993, total aerospace industry employment was expected to reach 909,000, a drop of 131,000. For 1994, the AIA expects a further drop of \$8 billion in total industry sales, accompanied by the loss of another 49,000 jobs.

Petroleum

North Sea production behind oil price drop

World oil prices have fallen by about 30% since December 1992, with the most important grade of crude oil, North Sea Brent, trading at a low \$13.40 per barrel in London. "This collapse in oil price is having devastating impact on the Kingdom of Saudi Arabia, on Kuwait, both of which are strained to the limits financially after the Gulf war. But the country which also is devastated by this, but no one

dares say, is Mexico. Of \$8 billion in oil export earnings last year, this will be down by at least 25% this coming year," a senior European oil industry source told *EIR*.

The major destabilizing factor to world oil prices amid falling OECD industrial country demand, has been the huge growth in production by British and Norwegian North Sea companies. Norway, whose state finances have been devastated by the banking collapse in the past few years, is increasing oil and gas sales to earn revenue to contain the huge state deficit, so it has no intention of reducing output. It now produces 2.6 million barrels per day (bpd), almost 1 million above two years ago, and more new production begins in January. U.K. North Sea output has increased to 2 million bpd, a rise of 300,000 bpd. According to oil industry estimates, more than any other factor, this North Sea increase has triggered the latest price free fall, with estimates that current trends will lead to a price of \$10 per barrel.

Infrastructure

Australian government puts forth blueprint

The government of Australian Prime Minister Paul Keating released in December a blueprint for infrastructure projects, the so-called "Kelty Report," which was prepared by a task force chaired by Bill Kelty, secretary of the Australian Council of Trade Unions and a member of the board of the Reserve Bank, Australia's central bank. Observers believe that the plan is a response to the dramatic growth of the Citizens Electoral Council, the co-thinkers of Lyndon LaRouche in Australia. Over 10,000 copies of the CEC's plan for rebuilding Australia, "Sovereign Australia," have been circulated since it was published in 1990.

The Kelty plan includes divided highways from Adelaide on the south coast through to Cairns on the east coast, fast train links between states, a water management plan for the Murray-Darling Basin, and tunnel projects to ease city traffic flows. The plan also includes proposals for vocational training, and targets areas of high unemployment.

However, the plan fails to adopt Hamil-

tonian banking principles to finance the projects. Kelty completely dismisses the idea of another source of credit funding, arrogantly claiming that "in none of our journeys did we ever find the fiscal fairies that could provide to a country unlimited expenditure." Instead, the plan, which will be submitted as a recommendation to the federal government, is to be funded by higher gasoline taxes, asset sales, a 1% rise in company taxes, and easier rules gaining taxation concessions through what is known as "infrastructure bonds." The report recommends that the \$180 billion superannuation funds pool also be tapped.

Africa

Nigeria ruler calls for a 'Marshall Plan'

Nigeria's new military ruler, Sani Abacha, has called for a Marshall Plan for Africa, saying that other tacks to end the continent's economic woes had failed, Reuters reported from Lagos.

"I am convinced that bold and imaginative solutions are now required to deal with the problems, if African countries are not to be perpetually saddled with a crushing debt burden," General Abacha said, in a speech on Dec. 22 to the Nigerian Institute of International Affairs. "It is in this context, that we believe a special program in the form of a New Marshall Plan for Africa be put in place for the purpose of providing substantially increased development capital and adequate resources to revamp African economies."

Abacha said that Africa's development was being hampered by foreign debts which totalled \$275 billion last year. This sum represented 73% of the continent's Gross Domestic Product and took more than 30% of its hard currency earnings to service, he said.

He said several African nations, including Nigeria, have continued to carry out painful measures to restructure their economies: "The expected gains are being negated by the inequitable external economic environment which is responsible for the collapse of commodity prices, the persistent debt burden, and unfavorable terms of trade," he said.

Briefly

● **RUSSIA AND KAZAKHSTAN** reached an agreement on the Baikonur cosmodrome space launch facility, Russian Space Agency head Yuri Koptev announced in Moscow on Dec. 30, Reuters reported. Russia will lease parts of Baikonur, and former Soviet military facilities at the Semipalatinsk nuclear test site, for "no less than 30 years."

● **AZERBAIJAN** President Gaidar Aliyev met with French President François Mitterrand and the leaders of the major French firms, including Elf Acquitaine, the national oil company, in December. Negotiations are also under way with the Russians and the Anglo-Americans for Azeri offshore oil and new oil pipelines.

● **BUNDESBANK** President Hans Tietmeyer called for international action against derivatives risks at a meeting in Karlsruhe, the German economic daily *Handelsblatt* reported Dec. 15. He urged an overall, stringent common approach.

● **CHINA** and General Atomics are discussing building an advanced nuclear power station using the Gas Turbine-Modular Helium Reactor that GA has developed with General Electric, Xinhua reported. The reactor is the safest in the world. GA Vice President Linden Blue told Chinese energy officials and experts at a Beijing seminar Dec. 19.

● **AN INDIAN** parliamentary committee has called for suspending the licenses of Citibank, Standard Chartered, Bank of America, and ANZ Grindlays to operate in India, *Agence France Presse* reported on Dec. 22. The banks were said to be "initiators" and "major players" in a securities scandal that caused the crash of the Bombay stock market in April 1992.

● **SUPERCONDUCTIVITY** was demonstrated at -23°C by researchers at France's National Center for Scientific Research, according to *Science* magazine. "The dreamed of room-temperature superconductor" is now within sight, the London *Independent* commented.