

Business Briefs

Investment

Bavaria embarks upon high-technology program

The Bavarian state government will invest DM 450 million (\$280 million) in a new nuclear research reactor, as part of a state investment program that is unmatched in the rest of Germany, where the influence of the radical environmentalists is very strong.

The funding of the reactor is the biggest item in the new medium-term state budget for technology and science. Another DM 300 million will be spent on various regional engineering colleges, which state Gov. Edmund Stoiber said are an "absolute must for a high-tech state like Bavaria that has an interest in playing a role in the next century." Stoiber said the planned nuclear research reactor, a "neutron-source" project, is "an indispensable precondition for any top-level productivity in science and technology."

Bavaria will also establish a technology transfer center, to promote the application of new technologies in industry, and a new state "risk capital" agency, to act as a guarantor for small and medium-sized firms in credit negotiations with banks.

Industry

Russian production falls by half since 1989

Since 1989, Russian industrial production has fallen by half, according to the Swiss daily *Neue Züricher Zeitung*. During the first six months of 1994, official figures from the Russian Economics Ministry showed a decline in industrial production of 26%.

The ministry attributed this to the 70% decline in orders from the military-industrial complex and the 65% fall in capital investment over the last 30 months. The *Neue Züricher Zeitung* argued that the decline in production, especially in the military-industrial complex, is not necessarily a bad sign, as long as new economic "elements" are emerging out of the

"ruins of planned economy." But it admitted that, in reality, these new "elements" are nothing but trade and service activities of the Russian shadow economy.

In its latest report, "Transition Countries: The Economic Situation in Early 1994 and Outlook 1995," the Vienna Institute for International Economic Comparison presented figures on the decline of gross domestic product in the former East bloc. Using 1989 as the base, the GDP at the end of 1993 was: Czech Republic, 78.9%; Hungary, 80.0%; Poland, 86.2%; Slovakia, 74.3%; Slovenia, 82.1%; Bulgaria, 71.0%; Romania, 71.8%; Croatia, 46.0%; Russia, 60.8%; and Ukraine, 58.5%. Given the fact that an increasing part of GDP is from the service sector, the decline of industry is much sharper. In all central European states, unemployment will stay high or increase, the report said. Unemployment in Poland and Bulgaria will rise to 20% by the end of 1995.

Ukraine

Kuchma invites new IMF 'restructuring package'

Ukraine's new President, Leonid Kuchma, met International Monetary Fund Managing Director Michel Camdessus in Kiev on July 26 to work out an IMF "restructuring package" for Ukraine. In a speech the week before, Kuchma outlined the austerity and unemployment to which he intends to subject the already-devastated Ukraine economy: "Between 20 and 25% of our factories must be closed down. They are barely operating and what they do produce they sell to themselves. Our main task now is to figure out how to transfer state factories to private ownership." This posture is similar to the privatization schemes to enrich the *nomenklatura* and mafia worked out in Russia by Anatoli Chubais.

Industrial production in Ukraine in the first six months of 1994 was down 40% compared to the same period in 1993, according to Interfax, based on information from the Ukrainian Ministry for Statistics. In only one month, June 1994, industrial production fell 10%.

Machine and metal processing sectors are most problematic, but production in the first six months of 1994 compared with 1993 fell: steel pipe, 64%; machine tools, 72%; tractors, 74%; automobiles, 30%; color TVs, 63%; tape recorders, 84%; vacuum cleaners, 58%; and washing machines, 42%. Meat and milk production have fallen by about 30%.

Space

Europe, Japan plan to go to the Moon

Missions to revisit the Moon are in preparation in Europe and Japan, European dailies reported on the 25th anniversary of the first manned landing on the Moon.

The European Space Agency (ESA), on the basis of a 1992 report by a new Lunar Study Steering Group, is calling for a four-stage approach: 1) station a polar orbiter above the Moon to conduct high-resolution remote sensing and mapping; 2) surface stations and roving vehicles to look in more detail at selected sites; 3) sample returns from the lunar far side and upland regions not visited by the manned U.S. lunar missions; and 4) a permanently occupied lunar base.

The European project for a lunar base early in the 21st century will create 60,000 new high-tech jobs, ESA Director Roger Bonnet said in Paris. The jobs will be in the serial production of the new Ariane 5 space carrier, which is scheduled to go into full operation next year; in research and development; and in the construction of a base on the Moon.

The first lunar orbital mission and the exploration of the lunar surface by satellites will be carried out in 2003; exploration with robots on the ground will be done by 2010. The construction of the Moon base is scheduled between 2015 and 2020.

In Japan, 20 aerospace firms recently formed a Lunar and Space Exploration Group which, along with the state's official Space Activities Commission, unveiled a long-term plan for a permanent human presence on the Moon. The deployment of lunar orbiters, surface rovers, and the return of samples to Earth

is scheduled within 15 years after the first robotic station is established on the lunar surface in 1997. Plans are for robots to construct the lunar base and an astronomical laboratory from prefabricated components, and the first team of researchers to arrive by 2023 or 2024.

Oil

Iraq embargo kept over fears of price drop

On July 18, the U.N. Security Council extended the embargo against Iraq for another two months. Although there is neither "measure nor reference in Resolution 687 to the need to take into account the condition of the oil market to lift the embargo," this is the real reason for continuing the blockade, the Paris daily *Le Monde* said on July 20.

An unnamed high-level U.S. official told journalists in Paris that Iraq's production within six months after the embargo would rise to 1.5-2 million barrels per day, and reach 3 mbd within 18 months. This would plunge the oil price to \$12 a barrel. This, *Le Monde* said, is viewed by Washington as "a catastrophe for the main regional allies, Saudi Arabia and Kuwait in particular."

A literal reading of Resolution 687 means Iraq has fulfilled the conditions as soon as a long-term surveillance system on disarmament is put in place. But the Security Council members are pussy-footing around this issue. U.N. official Rolf Ekeus, in his last report to the U.N., said such a system could be in place by September. France and Russia are calling for a six-month trial period, whereas Iraq wants one month. The United States is thought to favor a 6- to 12-month period. A U.S. official in Paris said the trial period would be "considerable."

The *New York Times* reported on July 26 that the embargo would likely be lifted by March 1995, citing the erosion of support for it by France, Russia, and China.

Washington and London are demanding additional conditions which are not contained in Resolution 687: Baghdad's recognition of Kuwait's sovereignty and new, U.N.-drawn borders; liberation of and/or information regarding missing Kuwaitis; respect for human

rights inside Iraq; and "facilitation of U.N. humanitarian efforts." The United States is justifying the new demands on grounds that they are implicit in the resolution's preamble, which calls on Iraq to prove its peaceful intentions.

Asia

Natural gas pipeline gets new impetus

Plans for construction of an 8,000-kilometer natural gas pipeline, which would link all the member states of the Association of Southeast Asian Nations (ASEAN), are being pushed again by Italy's Ente Nazionale Idrocarburi (ENI), which is leading a French-Italian combine that first proposed the pipeline in 1989, the July 11 Philippines *Business Chronicle* reported. ENI representatives believe the time has arrived to press ahead with the \$1 billion project, with the aid of the European Union.

The pipeline could mean an entry into the chemical business for several nations, providing chemical feedstock and spawning a range of chemical industries that would aid domestic economies immediately. Some chemical operations are already in place, but they are confined to oil refinery sites and export most of their products. Many officials regard the availability of natural gas as a key to "instant industry," because it would provide a needed domestic fuel and decrease dependence on imported oil.

In 1991, ASEAN ministers officially approved the idea and a feasibility study was expected to have been completed by the end of 1993. The system would stretch from Thailand, down the Malayan peninsula to Singapore, and then to Sumatra and Java. It would then turn north to Kalimantan (Indonesia Borneo) and the Philippine islands of Palawan, Mindoro, and Luzon, ending in Manila.

ENI and its partners (Gaz de France, IMI, Trans Energ, and Indosuez) are putting together a gas reserve inventory to be used with the feasibility study. The capacity of the system would exceed 1.8 billion standard cubic feet per year.

● **TURKEY AND RUSSIA** agreed on July 19 that Moscow would repay close to \$500,000 of outstanding debt mainly through a transfer of military equipment to Turkey. Russian First Deputy Prime Minister Oleg Soskovets and Turkish Deputy Prime Minister Murat Karayalcin signed a protocol in Ankara.

● **3,000 FARMERS** and the mayors of 11 drought-afflicted towns in Spain marched on the provincial government of Murcia to demand that the National Hydraulic Plan finally be put into effect. When the Socialists came to power in 1982, they cancelled virtually all the major water projects for "financial" reasons.

● **GERMAN** Finance Minister Theo Waigel warned in Munich in July that if the Berlin-Hamburg Transrapid route is sabotaged, "we will build the Transrapid between two other major cities." The upper house of Parliament has so far failed to approve the route.

● **23% OF STUDENTS** at a middle-class high school in La Quinta, California tested positive for tuberculosis, in the worst outbreak of drug-resistant TB ever reported in the United States, the July 18 *New York Times* reported. Orange County plans to begin testing students entering kindergarten, sixth, and ninth grades.

● **BANK OF ENGLAND** Gov. Eddy George told the July 24 *London Observer* that if people only get used to the fact that now they get 2-3% wage increases instead of 10%, "they will eventually find they feel pretty good—in fact they ought to feel better." The absence of the "feel-good factor" is responsible for lack of investment, he said.

● **1 MILLION MEXICAN** children, one-quarter of all children in Mexico not in school, are involved in the narcotics traffic, according to Andrea Barcena, director of the Mexican Center for Children's Rights.