

Business Briefs

Infrastructure

EU prepares special Mediterranean initiative

A European Union initiative toward the Mediterranean region was addressed in a joint declaration on trans-European infrastructure projects by French Foreign Minister Alain Juppé and German Foreign Minister Klaus Kinkel, published on Jan. 12 in the German daily *Frankfurter Allgemeine Zeitung* and the Paris daily *Le Monde*. The statement stresses that "for obvious geopolitical, economic, cultural, and demographic reasons, the stability of the Mediterranean region is of immediate importance" for the EU.

Preparations under the French EU presidency for a conference in Barcelona in October, which will also be attended by Algeria, will be presented at the June EU summit in Cannes, France. The Spanish presidency, which will begin in July, will then launch the initiative, "which goes far beyond the existing association agreements between several Mediterranean coastline states and the EU," the German paper said.

The "new concept," the paper wrote, includes "projects of infrastructure development such as, for example, an electricity supply grid and a highway all around the Mediterranean, a tunnel underneath the Strait of Gibraltar, and oil and gas pipelines from Africa to Europe." A special new fund, Medinvest, will be created to support medium-sized enterprises in the region, and it is "expected that the European Investment Bank will grant bigger loans to Mediterranean coastline states."

In Paris on Jan. 11, Juppé said that France and Germany resolved that the EC "must not degenerate into a free trade zone."

Middle East

Conference calls for pan-Arab economic bloc

Arabs should reconcile and unite in order to form a pan-Arab economic bloc, according to a call issued on Jan. 11 from a conference on economic challenges facing the Arab world.

The conference, organized by the Paris-based Center for Euro-Arab Studies, called for the formation of an Arab League body to promote tax-free zones to develop Arab economies and to create an Arab import-export bank.

"Clearing the Arab atmosphere and putting an end to existing differences . . . guarantees the creation of the proper atmosphere to build an Arab economic strategy," the statement said. "This cannot be achieved if a comprehensive Arab reconciliation is not reached."

In his final address to the conference, which was attended by representatives of the European Union, Arab League Secretary General Esmat Abdel-Meguid reiterated a call for the creation of a free trade zone, to be called AFTA, as a first step toward forming a pan-Arab economic bloc.

Africa

Ghana installs nuclear reactor

Ghana has installed a nuclear reactor, the first of its kind in sub-Saharan Africa, and, according to the Ghana Atomic Energy Commission (GAEC), it will be used for research and the training of African scientists. "The reactor will facilitate geological surveying by producing samples, analysis of minerals, and production of radioisotopes for medical application such as diagnosis of cancer and other related diseases," GAEC chairman Prof. F.K.A. Allotey said, IPS news service reported on Jan. 11.

Allotey said that "Ghana Research Reactor One" will help boost the food supply by offering scientific methods for food preservation and finding solutions to agriculture-related problems. Hopefully, he said, the reactor will help to stop the exodus of Ghanaian scientists who, for lack of good facilities, among other things, leave the country to work abroad.

The radiotherapy unit of the Korle-Bu Teaching Hospital, Ghana's largest medical center, is expected to benefit from the reactor.

The reactor, which will be officially commissioned in March, was manufactured and installed by experts from the China Institute of Atomic Energy. Efforts to install a similar

reactor by the GAEC, which was established in the early 1960s, were thwarted when the government of President Kwame Nkrumah was overthrown.

Petroleum

Ukraine, Georgia oil deal would bypass Russia

Ukraine and Georgia signed an agreement on Jan. 10 for joint construction of an oil pipeline, part of a plan to deliver oil to Ukraine.

The agreement was included in the Ukraine-Georgia Friendship and Cooperation Treaty that was signed in the Georgian capital of Tbilisi by Ukrainian President Leonid Kuchma and Georgian President Eduard Shevardnadze. At a joint press conference, both Presidents declared that in the future they will, "above all," coordinate foreign policy, and expand bilateral trade and economic contacts.

The plan involves joint construction of an oil pipeline which will take oil from Azerbaijan, through Georgia, to the Black Sea, and from there by tanker to Ukraine. This would give Ukraine the ability to receive oil from members of the Community of Independent States without having to rely on pipelines running across Russian territory. Shevardnadze commented, "Ukraine is looking for alternative sources of oil supply. One of these could be the use of oilfields in Azerbaijan."

Eastern Europe

Privatization schemes set back in Hungary, Slovakia

The policy of privatization, i.e., the selloff of state-owned firms to foreign buyers at fire-sale prices, which has been demanded by the International Monetary Fund and international financiers, has suffered setbacks recently in Hungary and Slovakia.

On Jan. 12, the Hungarian government canceled a major hotel privatization deal and fired its privatization chief, Ferenc Bartha. The government accused the State Property

Agency, headed by Bartha, of "professional lapses" and of ignoring "the interests of the national economy." The agency had agreed to sell 51% of the shares of 14 Hungarian hotels to American General Hospitality for \$57.5 million, but Prime Minister Gyula Horn stopped the transaction because he considered the price too low.

The cancellation of the deal and the dismissal of Bartha is likely to exacerbate growing tensions between Horn's Hungarian Socialist Party and its coalition partner, the Alliance of Free Democrats, which opposed both moves. The Jan. 13 London *Financial Times* reported that the index of the Budapest stock exchange fell 66 points, the biggest one-day drop in nearly a year, in anticipation that the government would cancel the sale.

In Slovakia, opposition deputies from the Christian Democratic Movement, the Democratic Union, the Party of the Democratic Left, the Social Democratic Party, and the three ethnic-Hungarian parties, submitted a proposal on Jan. 12 to the Constitutional Court asking it to review two laws recently passed by the Parliament. One is an amendment to the large-scale privatization legislation transferring control over privatization from the government to the National Property Fund; the other cancels all direct-sale privatizations carried out by the Moravcik government after Sept. 6, 1994. The two laws were passed by the Parliament on Nov. 4, vetoed by the President, and overridden by the legislature on Dec. 21.

Banking

France prepares bailout of Cr dit Lyonnais

While banks, insurance companies, and mutual funds are still counting their losses from the Mexican financial crisis, the French government is planning a second bailout of the Cr dit Lyonnais bank, according to media reports. Last year, government funds for the bank reached 6 billion francs for recapitalization, and FF 18 billion in guarantees for bad real estate debt. This year, the state and, ultimately, French taxpayers, will quite likely fork out more than that.

The state will first have to increase provis-

ions for bad loans. While the official accountants had estimated those provisions at FF 15-25 billion only last September, they have now raised that figure to FF 50 billion or more. The experts are also calling for a new injection of FF 5-6 billion to recapitalize the bank. (The total allocated in this year's budget for recapitalization is FF 8 billion.)

Last year, the FF 43 billion in bad real estate loans were moved into a new company, the OIG. This year, a similar solution is expected for the bad debts in sectors other than real estate, requiring a state guarantee of FF 10-15 billion. In addition, a new injection of FF 10 billion for bad real estate debt will be needed. Minimally, the state will pay out FF 25-31 billion this year, in addition to the new provisions and an expected deficit this year of FF 7 billion.

Science

Space Telescope study overturns quasar theory

Findings from the Hubble Space Telescope, which has been trained on 14 of the brightest quasars, have overturned the usual model of the quasar. Quasars are star-like objects with more ultraviolet emission than stars, whose spectra show large redshifts, and whose light may vary over just a few days. According to the usual model, a quasar was supposed to be an outpouring of energy resulting from the infall of galactic material onto a central black hole. For 8 of the 14 quasars studied, however, there is no galaxy at all.

Principal investigator John N. Bahcall of the Princeton Institute of Advanced Study told the press at a meeting of the American Astronomical Society in Tucson on Jan. 11, "This is a giant leap backwards in our understanding of quasars. . . . It's in nobody's theory."

According to astronomers of the school of thought founded by Armenian astrophysicist Viktor Ambartsumian, however, the new finding supports their long-held theory. They say quasars are ejected from the nuclei of galaxies as the seeds from which new galaxies form. Hence, some quasars would not yet have a surrounding galaxy.

Briefly

● **FRANCE** signed a \$2.83 billion deal with China on Jan. 15 to supply two nuclear reactors for the expansion of the Daya Bay plant. The deal, worth more than France's total exports to China in 1994, guaranteed the long-term future of the nuclear industry in France, Industry Minister Jose Rossi said.

● **INDONESIA** and Exxon Corp. signed the biggest offshore gas deal in the world on Jan. 9, involving an estimated \$40 billion to be invested in developing liquefied natural gas off Natuna Island in the South China Sea. The state oil company Pertamina and Exxon will each hold a 50% stake in the project.

● **A BRITISH** trade delegation, organized by the Iraqi British Interests Group, will be going to Iraq with the blessing of Her Majesty's government on Feb. 15, the Jan. 13 London *Financial Times* reported. The group claims "support of Conservative members of Parliament." It is involved in water treatment, engineering, construction, transport, and pharmaceuticals.

● **TURKEY** has been forced to raise taxes on some incomes, gasoline, tobacco, and alcohol in order to receive the remainder of a \$740 million standby loan approved by the International Monetary Fund last July. Rents will be increased, and the Finance Ministry will "virtually halt all spending and payments in the first three months," a government official said.

● **GEORGE SOROS** said in Bucharest, Romania on Jan. 10 that he envisages "potentially investing \$1 billion in India." Soros's Quantum Group announced plans in December to set up an India fund based on the "favorable climate" created by the Rao government's economic reforms.

● **JAPANESE** companies plan to take part in China's plans to build a \$6.57 billion, 1,241-km canal to bring water from the Yangtze River to Beijing, the *Asahi Shimbun* reported on Jan. 11.