

Business Briefs

Trade

China sets deals with Botswana

The visit of Chinese Vice Prime Minister Zhu Rongji to Botswana in southern Africa in July, resulted in several economic deals, according to Botswana radio reports on July 31.

The two governments signed a preferential credit agreement for approximately \$25 million, to be used mainly for the rehabilitation of the Serule to Mahalapye railway line. Zhu Rongji said that the credit will be used for the procurement of technical assistance, materials, spare parts, and machinery and equipment. Several sections of the line have already been rehabilitated with Chinese support.

China will also lend Botswana \$20 million to aid in the development of manufacturing industries. Few details were released, but Zhu Rongji noted that "China is skilled in the textile industry and other light industries, particularly in the manufacture of electrical goods. . . . One possible venture would be to undertake the intensive processing of the by-products from Botswana's beef export animals and establish a leather industry." There are also plans to develop agriculture to make Botswana less dependent on imported fresh produce; it now imports 80% of all fresh produce from South Africa.

Banking

Taiwan official sees 'opportunity' in crisis

Taiwan Central Bank of China chief Sheu Yuan-dong said on Aug. 8 that the recent spate of bank runs and market slides could be turned "into an opportunity" to improve the banking system, the Aug. 10 *International Herald Tribune* reported. Unfortunately, his proposals are far short of the bankruptcy reorganization of the international financial system that is required.

In recent weeks, the Central Bank injected almost \$3 billion into the banking system, the largest amount in five years. "We can recheck,

we can review, we can improve our system before this market becomes more internationalized and more liberalized," Sheu said. Since less than half of Taiwan's savings institutions even have deposit insurance, "I would like to force them all to join," he said. "I keep asking those government-owned banks also to join the insurance scheme even though they are government-owned and there is no problem. As a social responsibility I urge them to join. If we can revise the law, we can force them."

Sheu also advocated hiring more bank examiners and holding an extensive review of existing financial regulations. Sheu, who has been calling for the institution of general deposit insurance for some time, said: "I have been serving in banking and financial institutions for more than 40 years. I have more experience than anyone in the Ministry of Finance or SEC [Securities and Exchange Commission]. Now they can see that I was right."

He even claimed that the banking sector is sound. "There was some overbuilding, and some property and construction companies are having difficulties, [but] most companies are sound," he said. However, yet another credit union, the Fengyuan Credit Union, is now in trouble.

Germany

Invest in infrastructure to create jobs, says pol

Uwe Jens, the economic policy spokesman of the German Social Democratic Party, called for investments in European Union (EU) infrastructure projects in order to fight unemployment, in a press conference in Bonn, according to Aug. 11 press reports. Jens warned that after the termination of the "shortest recovery in German economic history," even radical interest rate cuts by the Bundesbank would not be enough to stop unemployment from rising. Look at Japan, he added, in this respect. If the government doesn't act, unemployment could soon "reach dimensions which threaten the national consensus on social questions, and could lead to a financial crisis of the state, in combination with a deflationary downward spiral."

Jens's proposed job package includes the establishment of a new EU fund for financing trans-European infrastructure nets, which would support these projects with low-interest credits.

Meanwhile, the Association of the German Construction Industry has sent a memorandum to Chancellor Helmut Kohl, warning that Finance Minister Theodore Waigel's budget cuts in road and railway projects are threatening 50,000 jobs in the construction sector. In eastern Germany alone, another 20,000 workers will lose their jobs this year.

Russia

Witte's economics lectures publicized

Writing in the July-August issue of *Profsoyuzi i Ekonomika*, Prof. Taras Muranivsky credits Lyndon LaRouche with prompting the availability to Russian readers of a new edition of Sergei Witte's *Outline of Lectures on National and State Economy*. Copies of the original edition are so rare in Russia, that the version now circulating had to be prepared from a copy held in the U.S. Library of Congress.

Muranivsky's notice about the Witte work is entitled, "If Only Our Politicians Had Read Him!" The *Lectures* were originally given by Witte to the brother and heir of Czar Nicholas, the Grand Duke Mikhail Aleksandrovich, in 1902-03. They contain some of Witte's most blistering polemics against the British "free trade" system, and elaboration of the concepts of national economic development, which Witte shared with Germany's Friedrich List and the other economists of the American System of Political Economy. Muranivsky calls the *Lectures* "a real textbook of political economy and the national economy of Russia, which remains of scientific and practical value for our time."

Highlighting some of Witte's themes, Muranivsky writes about "the significance for the state, of railroads." Witte proved "that private companies pursue their own ideas and interests, not those of the state." Witte's protective tariff, developed together with the scientist Dmitri Mendeleev, is also reviewed.

Muranivsky summarizes Witte's criticisms of Karl Marx, as well as Marx's predecessors: "Witte considers the views of the physiocrats and Adam Smith to be one-sided in their exaggeration of the role of the economic freedom of individuals and belittling of the role of the state in the national economy. In S. Yu. Witte's opinion, Adam Smith's theory took state leaders down the path of free trade, which, for countries with an underdeveloped national economy, meant a consolidation of the dependence of those countries on England." As against Smith, Muranivsky quotes Witte: "The wealth of a country lies not so much in the totality of valuables, as in the work and variety of productive forces, which create those goods, which is why it is necessary to strive comprehensively to develop those productive forces."

Profsoyuz i Ekonomika, published by the largest Russian trade union federation, comes out in 40,000 copies.

Environmentalism

CFCs shortage threatens chiller-based buildings

Building owners are facing a major crisis because of a shortfall of chlorofluorocarbons (CFCs) stocks as a result of the ban on the production of CFCs, imposed because of ungrounded fears of an ozone hole. About half of all chiller-based commercial buildings have spent millions to tens of millions of dollars each to change over to chillers using "ozone-friendly" replacements. However, the remainder, about 63,000 buildings, are still using the CFC-based equipment. Because maximum production capacity for "ozone-friendly" chillers is 7,000 units per year, and with standard leak rates of 10-20% per year, many of these buildings may be forced to close.

The July 31 issue of *Air Conditioning, Heating and Refrigeration News* reported that "with only five months left for production of CFC-11 and -12, it is certain that tens of thousands of chillers will be 'orphaned' for [lack of] refrigerants to service them by the end of the year."

Worse, buildings that have switched to the

"ozone-friendly" refrigerants may not be better off. The main replacements are HFC-134a and HCFC-123. The first rapidly breaks down the chiller systems, while the second turns into poison gas when exposed to an open flame. In addition, there are 4.8 million non-residential buildings that must change over to equipment using "ozone-friendly" refrigerants.

Corporate

Chrysler downgrades model of U.S. economy

In July, Chrysler Corp. adjusted its model of the U.S. economy, revising downward its assumption of how many vehicles will be sold in a "normal" year, the Aug. 7 *Wall Street Journal* reported. Ford Motor Co. is reportedly considering a similar revision to its model of the U.S. economy. General Motors spokesmen refused comment.

Automakers "are concluding that this year's auto-sales decline is no fluke but rather a sign that the number of new cars and light trucks that the U.S. economy can absorb is on a permanent downward path," the paper said. Chrysler's model now assumes that 14.6 million vehicles will be sold each year, 500,000 cars less than previously assumed. The reduction is "equivalent to slightly more than the annual output of two car factories." Chrysler's model now assumes that new vehicle sales will increase only 0.5% a year, half the 1% assumed previously.

Paul Bellow, chief economist of J.D. Power and Co., and former senior economist of the Detroit branch of the Federal Reserve Bank of Chicago, said the revision "raises questions about how important the auto industry is to the economy."

George Maglono, director of automotive research at WEFA Group, said that the rate at which used vehicles are scrapped has declined from around 10% of all vehicles on the road in the 1960s, to 6% today. According to the Commerce Department, the average cost of a new car in June 1995 was \$19,852, compared to \$12,025 in 1985.

● **SOUTH AFRICA** will store 15 million barrels of oil for Iran for \$208 million, the Aug. 7 *New York Times* reported. In addition, South Africa could also get up to 50% of the proceeds from the oil's eventual sale, said Kobus Van Zyl, general manager of Central Energy Fund, the government's fuel holding company.

● **FRANCE** surpassed the United States in arms sales to the Third World. The Congressional Research Service reports that French sales reached \$11.4 billion in 1994, compared to \$3.8 billion in 1993, while U.S. sales dipped to \$6.1 billion, from \$15.4 billion in 1993. France rejects the U.S. classification of Gulf Arab states as Third World nations.

● **THE FIRST** Pan-Chinese Conference on Physics held in Shantou, China, called on authorities on both sides of the Taiwan Strait for more funds for research and education, the Chinese daily *World Journal* reported, according to the Aug. 6 *China News Digest*.

● **CHINA** is sending a trade delegation to Russia, Ukraine, and Belarus, *China Daily* reported on Aug. 10. Cooperation will focus on "energy, motive power, science and technology, agriculture, construction, and machinery," said Vice Minister for Trade Sun Zhenyu.

● **SAUDI ARABIA'S** cut in subsidies for planting grain in the desert (from \$1.87 billion to \$850 million), will reduce this year's harvest to 1.3-1.4 million tons, down from 4 million tons in 1992, the German daily *Die Welt* reported on Aug. 9, barely meeting domestic needs.

● **THE FEDERAL** Deposit Insurance Corp. voted on Aug. 9 to drop the premiums which 92% of banks pay on domestic deposits to 4.4¢ per \$100, down from 23.2¢ per \$100 currently paid by all banks, saving them \$4.4 billion a year. The weakest-rated institutions would see their rate increased to 31¢ per \$100.