

# Business Briefs

## Trade

### France, China cement 'privileged partnership'

French President Jacques Chirac signed a joint document with Chinese officials during a visit to China in May, which sets out a new policy for relations between the two nations, according to the French daily *Le Monde* on May 16. *China Daily* reported that Chirac had offered China a "privileged partnership."

The text lays out basic principles for bilateral relations, and "testifies to the will of the two states to promote their economic partnership and constitute a new stage of relations between their enterprises," *Le Monde* said. Various cooperation agreements are laid out "in the domain of the peaceful use of space and of nuclear energy, environment, and health."

Chirac's delegation included five ministers and 55 heads of French firms. In Shanghai, the French government organized the largest industrial fair ever in a foreign country, with more than 300 participating companies. Aerospace companies will be the first to benefit. A \$1.2 billion order was signed for 30 new aircraft from Airbus, and an option for 20 more aircraft. Other deals include joint development projects, including to produce an engine for a Chinese helicopter, a 100-seat aircraft (a joint venture with Singapore), and a protocol for the development of the engine of a future airplane. Chirac said that the commercial deals would translate into 4,000 jobs for French workers.

## India

### Industry sets out to develop northeast

The industrial development of the northeast of India will be pursued in a project that was announced by the Confederation of Indian Industry, *The Hindu* reported on May 15. CII President N. Kumar said that the northeastern region has vast potential which has not yet been tapped, and that infrastructure development and industrial, housing, and other

construction projects are being designed to change that situation. The creation of infrastructure is important especially in terms of transport, power, and processing of minerals, Kumar said.

In addition to an agricultural development program, which will involve \$5 billion of investments and focus on higher yields, improved storage and refrigeration capacities, and support to the food-processing industry, the CII is also pushing for a construction boom in smaller projects of inland development such as rural township and housing projects, and construction of roads and highways, canals, dams, and so on.

Kumar located the project in the context of a future in which Indian exports go not only to its neighbors, but to all nations on the Indian-Pacific rim, including Japan and the United States, and to Europe. The *Asian Age* reported on May 16 that a delegation of 24 Indian businessmen was to arrive for meetings in Bangladesh, in the context of the India-Bangladesh Joint Business Council. Bilateral trade between the two nations increased to \$991 million in 1996.

## Economic Policy

### Nigeria, China should offer development model

Nigerian head of state Gen. Sani Abacha proposed that Nigeria and China collaborate to produce a socio-economic development model for developing nations, in remarks at the first round of bilateral talks between China and Nigeria in Abuja, the Nigerian capital, on May 11, the Nigerian newspaper *Thisday* reported. Abacha called for immediate "identification of more joint venture projects in the relevant areas of technology, transport, housing, trade, investment, military, electric power development, as well as iron and steel."

On May 12, during a visit by Chinese Prime Minister Li Peng, the two nations signed agreements including for protection of investments, cooperation in electricity and steel projects, and oil and gas development. Xinhua news agency commented that "the two sides maintain that the two countries share common interests in international

affairs and enjoy strong economic complementarity."

On May 6, Xinhua reported on the recent history of the relationship: "In 1996, the volume of annual bilateral trade reached \$320 million, up from \$212 million in 1995 and merely \$57 million in 1980. And Nigeria is now China's second largest trade partner in Africa, second only to South Africa. . . . China's . . . exports to Nigeria, which used to be dominated by light industrial products and hardwares, have in recent years turned more and more technology-intensive. And Nigeria is now one of the biggest African markets for Chinese engineering contractors. By the end of 1996, Chinese firms had signed 101 engineering contracts with Nigeria, totaling \$758 million. . . . Since 1994, China has been helping train Nigerian technicians in vegetable and rice farming, freshwater culture, hydropower, computer, metrology and many other fields. . . . By August 1996, Chinese businesses had invested \$7.29 million in Nigeria in 10 joint ventures engaged in fishing, plastics, steel, paper, timber processing, and textiles."

## Finance

### U.S. official says, Asia faces 'Mexico crisis'

An unnamed top U.S. Treasury official warned a joint conference of the Asian Development Bank and the Washington Institute of International Finance in Fukuoka, Japan on May 10-11, that Asia is heading for a "new Mexico crisis," the German economic daily *Handelsblatt* reported on May 12.

"A high-ranking official of the U.S. Treasury . . . shocked the gathering of bankers in Fukuoka with a quite alarming scenario. His main thesis: Banks and investors should not have the illusion in respect to their emerging market operations, that due to the Basel [Bank for International Settlements] supervision and the IMF [International Monetary Fund] security net, a new global financial stability is now in the making," chief editor Klaus Engelen said.

On the contrary, wrote Engelen, the U.S. official was pointing to the rapid globalization and technological change in financial

**RUSSIAN** railways will eliminate 500,000 jobs (one-fifth of the workforce), starting with 150,000 this year, Railways Minister Nikolai Ak-senenko said on May 12. In line with the "natural monopolies" reform (see *EIR*, May 16), contracts for such things as repair, construction, and social agencies will be auctioned.

**MALAYSIA'S** Prime Minister Dr. Mahathir Mohamad praised the post-industrial society, at the Fifth Gulf Economic Forum, in Bahrain. He said, "Having in the last 15 years moved from being an agricultural economy to becoming an industrial economy [!], we have now to grapple with the transition in the near future to the post-industrial society."

**TAIWAN'S** Prime Minister Lee Teng-hui, in an attempt to rein in firms that have been trying to avoid his ban on large investments on the mainland, has imposed a \$50 million ceiling on each new project. Meanwhile, analysts say that the new, legalized offshore futures trade could soak up \$1.8 billion per month.

**THE MERGER** of U.K. companies Grand Met and Guinness, in a \$15.8 billion deal announced on May 12, will create GMG, the seventh-ranked corporation (in sales) in the Anglo-Dutch-Swiss globalized food and drink cartel. Seagrams plans to contest the deal on anti-trust grounds.

**THYSSEN** Transrapid Australia Pty Ltd., formed to promote Thyssen's bid to build a high-speed maglev rail line from Sydney to Canberra, has appointed Sir Peter Abeles as its chairman. Abeles, the controller of former Prime Minister Bob Hawke, was dubbed the "White Knight" because of his widely rumored (but unproven) drug-running activities.

**POVERTY** in Germany is increasing, according to a survey presented on May 14 in Bonn by church organizations. The crisis is worst in eastern Germany, where 27% of the population (4 million people), are living at or below the official poverty level.

markets, which will result in "completely new dimensions of instabilities and susceptibilities" for bankers and investors. "He explicitly warned about overestimating the impact of the initiatives that were started since the Mexico financial crisis at G-7 summits, including the recent 25 Basel core principles, concerning the emerging markets. . . . The smallest causes, for example, bad press reports which are spreading doubts among investors, could have ever bigger consequences due to ever more gigantic capital flows."

## Agriculture

### Russian harvest headed toward another disaster

Russian agricultural parameters point to a potential grain crop in Russia this year that is 20 million tons below the 1991 level, at best. Articles by Yelena Berezhneva in *Trud* of April 29 and Aleksandr Gavriluyuk in the May 6 *Rossiiskaya Gazeta*, summarized the essentials:

- Some 53 million hectares are sown with grain, contrasted with 62 million hectares in 1991;
- Of an estimated 3.5 million tons of fertilizer required, farms have received 500,000 tons. That is 50,000 tons more than last year, but works out to about three kilograms per hectare for all the land that needs it;
- Of the required 40,000 tons of chemical plant protection agents, only 1,878 tons is available;
- The level of equipment readiness is at 70% of last year's.

Gavriluyuk reviewed the results of disinvestment in agriculture: The Black Earth soil "contained 10% humus at the end of the last century, [but] this year . . . the humus content has fallen in a number of regions to 2.5%. A recent Ministry of Agriculture and Food collegium session recorded that 'the loss of nutrients from the soil, caused by the harvest and weeds, is five times greater than nutrient replenishment by fertilizer.' . . . Weed infestation of fields has increased to 90-95%. It is now a national disaster. In the opinion of Academician Kapiton Novozhilov of the Russian Academy of Agricultural Sciences,

'in a number of cases the decline in agricultural output as a result of the activity of harmful organisms has now reached 40% for many kinds of crops, particularly grain.' . . . And how could it be otherwise when production of pesticides in our country has fallen twelvefold since 1985?"

Typical of the situation in Russian industries producing for the agriculture sector is the case of Rostselkhoz mash, a plant in Rostov that used to make 75,000 harvesters a year. *Rossiiskiy Vesti* reports that its output is down to an annual 2,000 machines. The primary task of the new management, after the old guard was forced out last year, is to lay off most of the 30,000-person workforce.

## Finance

### Czech Republic hit by currency crisis

Following the financial crisis in several Southeast Asian nations, speculators are getting nervous in other "emerging markets" as well. On May 15, the Czech krona fell more than 5% below its supposed value. The Czech central bank intervened heavily into the market to defend the currency against speculative attacks, but the krona plunged again on May 16. Therefore, the central bank increased the Lombard interest rate from 14% to 50%, and announced possible further measures to restrict bank lending.

The Swiss financial daily *Neue Zürcher Zeitung* noted on May 17 that the stability of the Czech currency in the recent period, was only made possible by huge capital inflows from abroad. Meanwhile, the nation's trade deficit hit a record level in 1996 of 8.6% of GDP, and further increased in the first quarter of 1997. Industrial production fell in the same period by 4.2%.

The Czech model of Mont Pelerin Society's Prime Minister Vaclav Klaus is now coming under pressure even from within the government. Vladimir Dlouhy, minister for Industry and Trade, said on May 16, according to the *International Herald Tribune*, that Klaus's cabinet seems to have run out of steam, and urgently should make personnel changes.