

Business Briefs

Russia

Did Soros loan aid resources takeover?

George Soros's "personal bridge loan" to the Russian government, which he says he made last June, is one of the curiosities of world finance in 1997. In July, Soros moved in on the Russian privatization bonanza, with his takeover of 25% of Svyazinvest, with V. Potanin's Oneksimbank as his partner. Journalist John Helmer, who writes for the *Journal of Commerce* and other publications, has revealed in the English-language *Moscow Tribune*, that investigators from Russia's Accounting Chamber believe the purpose of the so-called bridge loan was another Oneksimbank takeover, of Norilsk Nickel, finalized in August, in which no Soros role had been acknowledged.

Suspicion is raised by the fact that the Russian Treasury was flush with cash in June 1997, having collected Gazprom's back taxes and secured a tranche of its International Monetary Fund credit. There was no evident need for financing from Soros. Valeri Mishalkin of the Accounting Chamber suggests that Soros's money was parked by the government in accounts at Oneksimbank, allowing Potanin's firm the use of it during the Norilsk bidding. It was a several-hundred-million-dollar sale.

Algeria

Economic crisis is fuelling social unrest

More than 100,000 workers in the mechanical and electronics sectors demonstrated on March 9 against lockouts and layoffs, the Islamic Salvation Front (FIS) said in a statement released in Europe on March 11. "Although allied to the government, the Algerian general union of workers increasingly expresses disagreement with the government of Ahmed Ouyahia, which scrupulously applies the structural adjustment program of the IMF," the FIS said. "The active forces in the country are beginning to be-

come aware of the dangerousness of the economic policy pushed by Liamine Zeroual."

The FIS estimates that 250,000 workers will be laid off in the next few months, which will lead to "a serious social explosion." Unemployment is 28% officially, but is actually 40%, and twice that in certain provinces. In the rural areas, the FIS says, the standard of living has collapsed to levels below those of 1962. One out of every six families in Algeria (5 million people) live without regular wages. Buying power has continued to decline, effectively wiping out the middle class.

The \$12 billion which Algeria has received since 1994 in foreign loans, the FIS states, has not been invested in the productive sector, but has flown to Swiss bank accounts, speculation, and military spending, including for private militias.

Israel

Labor's Barak attacks Netanyahu on economy

Israeli Labor Party Chairman Ehud Barak attacked Prime Minister Benjamin Netanyahu's stalling on the peace agreements with the Palestinians, blaming it for Israel's worsening economic condition, the daily *Ha'aretz* reported on March 23. Appearing before the Organization of Self-Employed in Israel, Barak said that if the policy continues, the situation will worsen.

Barak said that the government could no longer blame Israel's economic crisis on the previous government. "The incumbent government has been in power for two years now, and it has to take the responsibility for its policy and the harsh results of this policy," he said. He documented that the economic slowdown is spreading, the number of job-seekers rising, and investment in education and infrastructure dropping. Investment in infrastructure dropped 12% in 1997, and 14% in 1996, at a time when Israel has had one of the lowest rates of investment in infrastructure, compared to western Europe. He said that it was impossible to separate Israel's current economic condition and the harsh forecasts for coming years from the

freezing of the peace process by the Netanyahu government.

Barak called for the government to reduce payments to non-productive sectors, such as the ultra-Orthodox community, and to shift 5 billion shekels (about \$1.3 billion) a year to education. He said that the unfortunate events that had overtaken the economic "tigers" of Southeast Asia could hit Israel as well, in part because of the political situation with the Palestinians and the resulting economic uncertainty, the freeze in foreign investment, and the drop in tourism.

Petroleum

China, India to tap Central Asian resources

China and India signed a memorandum of understanding to establish "an enduring partnership" for tapping oil in Central Asia, All India Radio reported on March 18. "A basic decision has been made to work together to tap these resources in the region. Options have also been kept open to cooperate in other parts of the world," the report said. The memo was signed by India's state-owned Oil and Natural Gas Corp. and China National and Gas Exploration and Development Corp., and allows for third countries to participate to ensure availability of modern technology and equipment, adequate training, and R&D. China is currently oil self-sufficient, but will need to import in the future, and India's demands for oil will also increase rapidly.

China and India have entered into deals with Kazakhstan, and China is planning construction of a 2,000 kilometer pipeline to Xinjiang autonomous region.

The major hindrance to India exploiting resources in Central Asia, where it has good political relations, "is the lack of adequate transport facilities," the report said. "In cooperation with China, India can help in better exploitation of these resources and their transportation to the west or China through pipelines."

"The new agreement marks an extension of the growing bilateral economic and trade cooperation between India and China. Bilateral trade between them has increased seven-

SINGAPORE plans to provide \$2 billion in trade guarantees for Indonesia, Prime Minister Goh Chok Tong said on March 26. The funds will come from the money Singapore had pledged as part of the \$43 billion IMF bailout for Indonesia. The Group of Seven rejected Goh's proposal for an \$8 billion fund to jumpstart trade.

THE EUROPEAN Monetary Union and the single currency, the euro, will lead to higher unemployment, the destruction of social systems, and further erosion of national tax bases, 70 professors of economics in the Netherlands warn in a new book, the March 26 German daily *Süddeutsche Zeitung* reported.

THE U.S. COMPUTER industry has "huge inventory backlog," a European banker told *EIR* on March 26. One study, he said, "estimates that of the present 3.5% GDP growth, fully 2% is from excess inventory accumulation," and that before the Asian crisis fully hits.

IRAN'S Ayatollah Khamenei, the supreme leader of the revolution, called for moving to an economy less dependent on oil revenues, in a speech in Mashhad on March 21. The nation must orient "toward non-oil income through an increase of production, and the export of agricultural produce, industrial items, and expertise services," he said.

INDIA is facing an attack by the credit rating agencies Moody's and Standard & Poor's, which are expected to downgrade India's sovereign rating from "investment grade" to "speculative grade." One rationale is the alleged "increased risk of operating in Indian markets due to an inexperienced government," a government official said.

KYRGYZSTAN Deputy Agriculture Minister Janybek Tumanov said on March 20 that the number of livestock has sharply decreased. The number of sheep has fallen from 11 million to just under 4 million in seven years; mutton is a staple food.

fold from 1990 to reach a level of \$1.4 billion in 1996. The increase has been facilitated by the signing of a trade agreement, which provides for the extension of the most-favored-nation treatment to each other, promotion and diversification of export products, and trade transactions in freely convertible currency. Given the climate of improved relations, it should be possible for the two countries to widen their economic horizons and explore new avenues of cooperation in many areas," the commentary concluded.

China

Development of 'Golden Triangle' planned

By the end of the century, China will be investing heavily in the region known as the "Golden Triangle" in southwest China, deputy head of the Chinese Engineering Academy Lu Liangshu said at a symposium in Guiyang, Xinhua reported on March 22. With its resources, the area can play a unique role in the economic growth of three provinces and act as a resource base to develop the middle and lower reaches of the Yangtze (Chang Jiang) and Pearl (Zhu Jiang) rivers, Lu said. The "Golden Triangle" is a 250,000 km² area in the provinces of Yunnan, Guizhou, and Sichuan, that was infamous for its role in the drug trade.

The government has begun tapping the region's potential for high-yield, high-quality agriculture, and expects to spend 10 billion yuan in Guizhou to increase grain production by 1.97 million tons annually. The area in Sichuan will become another "grain basket," after low-yield fields are improved and a grain-handling center built. The area in Yunnan will be used to grow tropical produce, half the province's meat, grain, vegetables, and tobacco, and 80% of its flowers.

The Golden Triangle's iron and vanadium reserves account for 20% and 54% of the country's total, respectively. Coal reserves in Guizhou are estimated at 241.9 billion tons. Water resources make up 11% of China's total; the government will spend 34.4 billion yuan to build the Ertan Hydroelectric Power Station in Sichuan. Yunnan

plans to build two large hydro-electric power stations early in the next century, with capacities of 14.4 million and 7.2 million kilowatt-hours. In transportation, Yunnan expects to build a 360 km expressway, and a railway from Liupanshui to Zhuzhou in nearby Hunan; the Nanning-Kunming Railway began operation late last year.

Central Asia

Turkmen President: Don't politicize pipeline

President Saparmurat Niyazov of Turkmenistan, in a speech in Ashgabat on March 21, said he hoped that "no foreign power would try to politicize a projected pipeline that is to conduit Turkmenistan's gas to the continent by way of the Iranian soil," the Iranian News Agency reported. Niyazov said he hoped that Turkmenistan's official policy of neutrality would be respected. He did not name any country, but it is assumed he was referring to the United States, which had threatened to block the pipeline across Iran.

Niyazov did, however, accuse Russia of unfair pricing policies. He said Russia was demanding Turkmen gas for \$32 per 1,000 m³, instead of \$42, which Ashgabat wants. He said that Russia resells the gas for \$57. He also said that Russia paid only 30% of the price in cash, and the rest in kind, which meant de facto that it was paying only \$10 per 1,000 m³. He emphasized that the new pipeline will allow his nation to sell to other markets.

The Turkish state pipeline company, Botas, announced on March 18 that it expects to complete a tender for the 1,215 kilometer Turkish section of the pipeline from Erzerum to Ankara. Seventy-eight bids have been received. Another consortium is working on the 300 km stretch from Erzerum to the Iranian border, which is to link up with the section to Tabriz. Iran is building the 270 km section from Tabriz to the Turkish border. The lowest bids for the Turkish section have come from the Turkish firm Alarko, and from Russian-Turkish and Ukrainian-Turkish consortia. The pipeline is supposed to be finished in 19 months.