

Business Briefs

Petroleum

Royal Dutch Shell moving into Iran

Royal Dutch Shell has signed agreements with the Iranian government to invest and participate in the development of two new oil exploration sites offshore, and will bid to participate in several onshore projects of a much larger scale, the *Wall Street Journal* reported on Nov. 16.

The initial \$800 million venture violates the U.S. sanctions against Iran, and is part of a broader pattern of Persian Gulf oil states opening up to outside investors. Kuwait has invited major oil companies to discuss investments in several projects, and Saudi Arabia is preparing a similar proposal for future projects and bids.

Royal Dutch Shell is, of course, a crown jewel of the Anglo-Dutch oligarchy. Exxon is worried that Royal Dutch Shell is about to grab up all of the new oil concessions in Iran, and is pressuring the Clinton administration to rapidly end the sanctions.

Ghana

'Chronicle': Free market put nation in ruins

The Ghanaian newspaper the *Chronicle* rejected so-called free market policies, and urged lawmakers to impose greater regulation on Ghana's economy, in a Nov. 15 editorial entitled "Regulating the Economy Is One Sure Route Out of Our Economic Mess."

It reported on the debate in Parliament about what to do, now that President Jerry John Rawling's adoption of free-market policies has destroyed Ghana's economy: "At the time of going to press, Parliament was debating a minority party motion calling on the Finance Minister, Kwame Peprah, to resign over his mishandling of the economy. The motion followed the admission of 'failure' by Peprah's deputy, Victor Selormey, in the House two weeks ago. The Deputy Minister had told the House that this country is in distress because economic measures put in place by the government had failed, apparently because of international pressures on

the local economy."

It said: "We would like to recommend a non-partisan approach to the issue of finding lasting solutions to our economic malaise. . . . There cannot be any seriously planned economy in the world without regulations. The *Chronicle* concedes that this nation needs to import a number of items for the survival of the state. . . . But we are ill at ease with the free-for-all importation under the so-called free-market system we currently operate."

It continued: "Apart from conserving local resources, a ban on imports acts as incentive to local producers to produce more. It is a shame that farmers in Ghana, for instance, have to face competition from importation of rice and plantain. . . . Our understanding is that for all the noise about gold overtaking cocoa as the country's largest export commodity, the benefit to this country amounts to only about 32% of the actual export. The reason is that the foreign investors in the gold and other mineral sectors are allowed to keep most of the returns. We are alarmed at a policy that allows people to come to this country with very little and end up plundering our meager resources. . . . Any nation without regulations can only be left at the mercy of international donors. Cap in hand cannot be a successful long-term policy."

Trade

Preliminary details of U.S.-China trade deal

The U.S.-China World Trade Organization (WTO) agreement signed on Nov. 15 will cut average Chinese tariffs 23% over about seven years, and contains the following other concessions, according to unofficial wire reports:

Telephone companies, now restricted to equipment sales, will be able to own up to 49% of all telecommunications service ventures upon China's entering the WTO, and up to 50% two years later.

Foreigners may invest in Internet companies, including content providers.

Manufacturers can import and export without government middlemen, and distribute and sell products directly to consumers. They can also handle after-sales, repair,

and maintenance services.

China will double foreign film imports to 20 per year, and allow foreign film and music companies to share distribution revenues.

U.S. banks can offer services in local currency to Chinese enterprises two years after China joins the WTO, and to individuals five years after.

Foreign auto companies will have full distribution, trading, and financing rights. By 2006, China will reduce auto tariffs from the current 80-100%, to 25%.

Tariffs on agricultural products will fall to 14.5% from 15%. All export subsidies will be eliminated.

Foreign firms will initially be allowed 33% stakes in securities fund management joint ventures, rising to 49% three years after China joins the WTO.

Space

Japan, Russia suffer rocket failures

A Japanese H-II rocket, the most advanced in its fleet, failed on Nov. 15, and was blown up about eight minutes into its flight. Preliminary reports from the National Space Development Agency of Japan indicate that the rocket's main engine stopped prematurely, forcing the booster to veer off course. It was the second failure for the H-II in 18 months, and the seventh flight of the H-II. The H-II is an advanced design which uses a liquid hydrogen upper-stage engine, and is the rocket the Japanese plan to use to service the International Space Station. There have been numerous technical problems with the rocket, and its launch had been delayed since August.

In Russia, a team of experts, led by Russian Space Agency head Yuri Koptev, visited Kazakhstan to investigate the Oct. 27 failure of a Proton rocket. It was the second Proton failure in four months, and was similar to the July 5 incident in which a failure occurred in the second stage of the vehicle. The Proton has been the most reliable rocket in the world, with a reliability of more than 95%, and is the workhorse of the Russian space program and the commercial aerospace industry. It is also the rocket that will

be used to launch the Russian Service Module to the International Space Station next year.

Russia

Use emergency measures to revive industry

Vice Speaker of the Russian State Duma (lower house of Parliament) Sergei Baburin called for capital controls and emergency measures to revive Russian industry, at a seminar at the Hanns Seidel Foundation in Munich, in November, the German daily *Tagesspiegel* reported. Baburin said that it is time to declare a state of economic emergency.

The state of emergency would enable the state to regain control of essential resources, including measures to improve tax revenues, and to restore capital controls to dry up capital flight. Baburin said that at present, Russia's hands are tied by a foreign debt of \$150 billion on the one hand, and the International Monetary Fund, which does not grant new loans to Russia, on the other.

"The communist experiment has come to an end, the liberal one has failed. Now, Russia must take a new choice for the next century," Baburin said.

Africa

Scientists seek to boost space technology benefits

African scientists discussed how to bring the benefits of space technology to their nations, during a four-day meeting in Gabon in November. The theme of the meeting stressed both space science and communications technologies. The conference was organized by Malian-born Cheik Modibo Diarra, who designed the navigation system of NASA's 1997 Mars Pathfinder spacecraft. The meeting was sponsored by his Pathfinder Foundation, and the UN Education, Scientific, and Cultural Organization (Unesco).

"It is necessary to give all peoples the

chance of assimilating world scientific and technological progress to ensure their well-being and improve their living conditions," Gabon's Minister of Higher Education told the meeting.

Israel

Frenkel resignation may spark policy debate

Jacob Frenkel, Governor of Israel's Central Bank for almost ten years, announced his resignation on Nov. 14, the Israeli daily *Ha'aretz* reported. A classic monetarist who kept interest rates high purportedly to keep inflation low, his policies have been widely blamed for the country's current recession and high unemployment. His resignation is expected to touch off a debate on economic-financial policy.

While most politicians, despite their opposition to his policies, praised Frenkel, Shmuel Slavin, former Treasury director, said that Frenkel had acted in a "cowardly fashion," and that he "will be remembered for losing the economy between \$10-12 billion in production and creating a social gap that made Israel one of the countries with the greatest gap between rich and poor."

Avrahm Tal, a commentator for *Ha'aretz*, said that Frenkel resigned because of fears that the Israeli currency, the shekel, could collapse long before his term would have ended in August 2001. Tal said that Frenkel's claim, that he resigned because he had accomplished his goal of lowering inflation, is self-serving. Frenkel accomplished this through maintaining high interest rates and offering short-term debt certificates at 7-9%, which has led to the creation of a "mountain of shekels"—193 billion shekels, which grew by 35 billion since the first of the year. In October alone, the mountain grew by 4 billion.

What will happen when interest rates drop to normal levels and investors move to cash in their certificates, or if the dollar began to rise? Tal asked. Would the Central Bank have enough reserves to protect the currency? He said that Frenkel was especially worried about the 25 billion shekels in short-term debt certificates and their due date for repayment in less than one year.

PAKISTAN'S government bonds were given a "default" rating, the worst possible, by Standard & Poor's rating agency on Nov. 17. This means that S&P declares Pakistan bankrupt. It is the first time ever that S&P has given the rating to the government bonds of any country.

TURKMENISTAN'S Minister of Defense visited Pakistan in mid-November, to discuss cooperation on infrastructure, including a rail link, an electricity grid transfer, and a pipeline.

UKRAINIAN President Leonid Kuchma told a meeting of the Black Sea Economic Cooperation Organization on Nov. 17 that the creation of a free-trade zone would give a "powerful impetus" to regional cooperation. "We should synchronize to the maximum extent our actions with the EU [European Union], primarily in the economic sphere . . . to prevent the appearance of new dividing lines on the continent," he said.

POPE JOHN PAUL II said that there is no excuse for hunger, at a conference of the UN Food and Agriculture Organization on Nov. 19. "With the means available today, poverty, hunger, and disease can no longer be regarded as either normal or inevitable," he said. "Yet what is required is not paralysis, but action."

KENNAMETAL, the number-one U.S. metal-working tools firm, said on Nov. 17 that it would lay off 400-500 of its 14,000 workers, and close, consolidate, or curtail operations at several plants, warehouses, and offices.

ALBANIA has reduced taxes on gas imports in an attempt to overcome a power shortage in the country, ATA news service reported on Nov. 16. A drought has led to reduced hydroelectric power plant output, which produces some 95% of the nation's electricity. Officials are trying to persuade industries to run at night to ensure an even distribution of power.