

Business Briefs

Eurasia

Lanzhou-Urumqi rail upgrade finished early

The double-tracking of a 1,600 kilometer stretch of the Lanzhou-Urumqi railroad, part of the "second Eurasian land bridge," was completed a year ahead of time and opened on Sept. 16, *China Daily* reported. Vice Prime Minister Zou Jiahua called the feat "a miracle in terms of construction speed. It has a bearing on the underdeveloped West to tap resources and catch up with the East."

The project updates China's 4,100 km section of the Eurasian land bridge. The original railway was built 30 years ago, and has remained the lifeblood of China's interior, but the single-track railroad could not keep up with demand. Every year, 6 million tons of freight cannot be moved out of Xinjiang, in China's far west, due to inadequate rail capacity.

Infrastructure

Ministers call for Russian rail upgrades

Russian Railway Minister Gennadi Fadeyev and German Transport Minister Mattias Wissmann called for fully integrating the Russian railway system into the European transport net, after talks in Bonn on Sept. 20 on the improvement of European railway corridors, especially the Berlin-Warsaw-Minsk-Moscow route. Wissmann confirmed the commitment of the German government to push the European Union to give financial support for the Berlin-Moscow rail route.

Meanwhile, plans for building high-speed rail lines inside Russia are being actively discussed. *Argumenty i Fakty* (No. 34) reported in August that a high-speed passenger rail line between Moscow and St. Petersburg is being considered. However, the article, headlined "Train Flies, Like a Plane," specifically ruled out the use of the most technologically advanced magnetically levitated trains for transport of freight.

The proposed trains are along the lines of

Japanese high-speed commuter rails. There are currently a lot of collisions at rail-way crossings. With the safety features of high-speed rail, such accidents could be eliminated. The construction of the line, say planners, will extend the electricity grid to the outlying area around Moscow and to other areas along the route.

Argumenty i Fakty reported that opposition to the line has been raised on environmental grounds, and the company involved in planning is making provisions to protect the habitats of frogs, grass snakes, and reindeer. Another concern is the fact that the rail line lies along a geological fault, will have to pass over swamps and bogs, and over 200 bridges will have to be constructed.

France

Austerity, make-work top new budget agenda

The government of France adopted its 1995 budget in September, with austerity and make-work projects its top priorities. The reduction of the budget deficit is to be primarily accomplished by limiting the budget growth of all ministries to 1.9% and including 50 billion francs expected from privatizations in the budget. To fund the creation of make-work projects, the Labor and Social Affairs ministries have had their budgets raised 8.2% and 6%, respectively.

Both measures are designed to make the government look good vis-à-vis the 1995 elections. The first makes Prime Minister Edouard Balladur appear able to handle the deficit; the second is designed to make it appear that the government is responding to the growing unemployment problem.

The budget has been adopted amidst an international campaign around the French national debt, which has grown explosively over the last couple of years, being run by Anglo-American assets to discourage investment in France. By 1995, the debt will have reached 3.148 trillion francs, the equivalent of 2.5 years of national revenue. Debt service will rise to 199 billion francs in 1995, the third largest part of the budget.

Finance

Campaign to reform IMF announces platform

A coalition of more than 100 environmental and social justice organizations, called the "50 Years Is Enough Campaign," on Sept. 19 in Washington announced a five-point platform to reform the International Monetary Fund and the World Bank. While crippled by confining itself to proposed "reform" of these institutions, and wrong on its environmental opposition to great infrastructure projects, its attacks on the IMF for having "created poverty" are accurate.

The group is demanding institutional reform to make openness, full public accountability, and the participation of affected populations in decision-making standard procedure at the IMF and World Bank. It urges a halt to the IMF's structural adjustment programs, which, the platform says, "have increased external debt and caused great social, economic, and environmental destruction while further impoverishing poor and working people."

The group is also demanding cancellation of the outstanding debt owed the International Bank for Reconstruction and Development and the IMF by the most severely indebted countries.

Ukraine

Parliament objects to IMF conditionalities

Ukraine's Parliament has indicated that it may not be willing to accept International Monetary Fund conditionalities as part of the IMF's loan package, after measures demanded by the IMF—price increases in energy, bread, and transportation, and removal of bread and energy subsidies—led to riots in Kazakhstan and Georgia.

After meeting with an IMF delegation in Kiev on Sept. 17, Oleksandr Moroz, the speaker of parliament, said that the government could not contemplate cuts in social spending or a sharp reduction in subsidies to

industry and farming as demanded by the IMF. Moroz said that ending controls on Ukraine's currency, the karbovanets, would lead to unlimited export of Ukraine's raw materials.

The IMF package calls for halving Ukraine's budget deficit, which is now running at 20% of gross domestic product, and freeing the currency markets. President Leonid Kuchma has ordered the reopening of the Kiev currency exchange on Oct. 1, but has said the differential between commercial rates and a rate set by the government can only be eliminated gradually.

On Sept. 20, Kuchma said he would try to find "common ground with the IMF. But we do not accept all IMF conditions. And I mean that." Kuchma insisted that Parliament does not have the right to approve or disapprove the IMF program, which is what Moroz is demanding. "I will make a speech to parliament on the program of action, though this is not for parliament's approval. This will merely be a plan of action. Our country cannot survive without the help of the IMF," Kuchma said.

Agriculture

France calls for Europe to increase production

French Agricultural Minister Jean Puech called for "a drastic reduction of the Set Aside," the European Community program which takes land out of production, the Italian daily *Corriere della Sera* reported on Sept. 18. Puech's proposal, which is supported by the European Association of Agricultural Organizations, is to reduce set aside from 15% to 10%.

The reason France is calling for a boost in agricultural production is that "European grain production seems stable nowadays—down 4-5 million tons; and European stocks in the last two years have been almost halved, from 33 to 18 million tons," the paper reported. In addition, Europe is using more of its production for animal feed, replacing imports. The conclusion, the daily said, is that surpluses are no longer a serious concern.

South Africa

Major trip a 'coup' for the British

The September visit to South Africa by British Prime Minister John Major is a "coup" for Britain's colonial strategy for Africa, according to sources. "Do not underestimate the significance of the Major trip," a senior British source insisted to *EIR* on Sept. 21. "This is the first time in 34 years a British prime minister has gone there, but, far more important, it is by far the highest-level foreign visit to South Africa since the April elections. Britain is pursuing a neo-colonial strategy in Africa, a very calculated one in which they intend South Africa to play the pivotal economic and geopolitical role for them. They are also doing things to discourage other foreign countries from rivalling their investment in South Africa."

A South African source reported that Major is being warmly received "because we have been in such horrible isolation so long, and Major's government is the first to make such a high-level embrace. Major is emphasizing in his speeches here that Britain, with 50 billion rand direct investment, is far the largest foreign investor in South Africa.

"But more significant and indicative of the level of British commitment to become pivotal in South African business affairs," he said, "is the new presence of both S.G. Warburg and James Capel, two of London's major merchant banks."

Lord Cairns, the new chairman of Warburg traveled with Major's delegation and announced Warburg's purchase of I.R. Jones stockbrokers; Capel, the merchant bank arm of Hongkong-Midland Bank Group, has just acquired 50% of another South African brokerage, Simpson-McKee. "The British acquisition of such important stock trading companies here indicates they are committed to a dominant presence in South African corporate finance. . . . American companies are still too nervous and, despite a symbolic trip some weeks ago by [U.S. Commerce Secretary] Ron Brown, nothing to compare with Major's grand tour has been seen. This is also aided by South Africa's decision to accept the British offer of renewed membership in the British Commonwealth."

Briefly

● **COSTA RICA'S** third largest bank, Banco Anglo Costarricense, was embroiled in scandal in September when 10 senior officers were arrested and accused of corruption involving improper loans that resulted in over \$100,000 in losses.

● **NORTHROP GRUMMAN**, the defense contractor formed by the recent takeover of Grumman by Northrop, will cut its work force by 8,650, or 18%, by the end of 1995, the Sept. 25 *New York Times* reported. Most of the cuts will be made in California and Long Island, New York.

● **THE RUSSIAN** Federation of Free Trade Unions, meeting in St. Petersburg, set a nationwide protest action for Sept. 27, *Nezavisimaya Gazeta* reported on Sept. 14. The RFFTU is asking for an average wage level equivalent to the European average of \$4.50 per hour.

● **CHINA** has reversed its 15-month-long anti-inflation strategy and has reopened credit lines to state firms, the Beijing *Economic Daily* reported in September. In August, banks issued 50% more cash than in August 1993, up from an average 30% year-on-year increase in the previous seven months, according to official figures published on Sept. 19.

● **POLAND**, and the port cities of Gdansk, Gdynia, and Sopot in particular, is increasingly being used as a drug shipment route, the Gdynia regional prosecutor told the daily *Dziennik Bałtycki* in September. He blamed open borders, and the abolition of entry visas and penal measures for possession of narcotics.

● **QUANTUM** Realty Trust, the George Soros real estate fund headed by former Olympia and York chief Paul Reichmann, has seen the value of its shares drop 22% since their peak in January and are now trading for less than the claimed value of the trust's holdings, the Sept. 25 *New York Times* reported. The problem "is a significant event in the way the whole empire functions," a money manager said.