Business Briefs

Mining

Zambia invites in Anglo American Corp.

Zambian President Frederick Chiluba, who has readily obeyed the dictates of the International Monetary Fund, has asked South Africa's Anglo American Corp. to help restructure the financially crippled Zambia Consolidated Copper Mines (ZCCM), Reuters reported on March 14.

Chiluba, at a meeting with Anglo chairman Julian Ogilvie Thompson on March 10, restated Zambia's commitment to the quick privatization of ZCCM through the injection of fresh equity and efficient management. "My government is in a hurry. . . . We are keen to privatize ZCCM and have given ourselves 24 months to get technical information out. We want to move forward with the resources we have and your partnership, because once ZCCM is privatized, it will become necessary to develop Konkola," he said, referring to the deep mine project in which he wants Anglo to become a major player.

Chiluba is not deviating from the prescription laid out by Britain's Overseas Development Minister Lynda Chalker. During a visit to the former British colony in February, she said, "It is quite clear that the reform of ZCCM must be accomplished together with the Konkola project. They are not alternatives. They are both necessary."

Industry

French corruption cases tied to trade war

Pierre Suard is still serving as president of the French company Alcatel-Alsthom, despite a ruling by Judge Jean Marie d'Huy forbidding him from holding any responsibility in the company. The case is the latest of the so-called anti-corruption scandals hitting French companies, and comes in the context of intense competition for markets among advanced western nations. All of the top infrastructure companies in France are now under investigation, threatening the potential for a Eurasian infrastructure-building program.

Alcatel-Alsthom is the producer of the French TGV high-speed rail system, and one of the world's giants in telecommunications. In the latter area, competition is intense to determine who will dominate in the age of "information highways."

Alcatel-Alsthom has been accused of overbilling France Telecom, the state-owned telephone company. But this is a widespread practice which the French government allows in order to support companies in the public or semi-public sector. In this case, however, Suard and Alcatel-Alsthom are being accused of corruption and embezzlement.

According to the new director general of Alcatel, François de Laage de Meux, the firm received last November a letter from a British "consultancy group" claiming that Alcatel was the victim of an industrial espionage and destabilization campaign. Indeed, the legal attacks on Suard and the company were followed by massive sales of company stock by Anglo-Saxon investors, leading to drops in stock price. The March 13 *Le Figaro Economy* quoted some top Anglo-Saxon financial houses—Smith and Court of London, Andrew Cleafield of the United States, CREF fund, and M&G—all demanding the head of Suard before resuming trading in Alcatel instruments.

Hungary

IMF imposes draconian austerity program

Under pressure from the International Monetary Fund (IMF), the socialist government of Prime Minister Gyula Horn announced a 9% devaluation of the Hungarian currency, the florint, on March 12. The size of the devaluation "took observers in Hungary by surprise," the British Broadcasting Corp. reported. Radical budget cuts, affecting welfare expenditures and other vital areas, were also imposed.

The measures increased the risk of a social explosion. In a meeting on the program, Hungary's minister of welfare reportedly bolted out of the room in anger. After the measures were announced, the minister of internal security expressed his opposition. Some weeks back, then-Finance Minister Laszlo Bekesi, who resigned on March 1, warned that "Hungary will be the next Mexico."

The IMF says that Hungary is "living beyond its means," and has demanded sharp cuts in the state deficit. Horn et al. are determined to present an "acceptable face" to the IMF, the BBC said. An IMF team arrived in Hungary in mid-March.

Employment

700,000 U.S. layoffs predicted in defense

Labor Department and defense analysts predict that continuing U.S. defense cuts will produce 700,000 more layoffs, the March 14 *Wall Street Journal* reported. Excluding DOD employees and civilians working for the Pentagon, there has already been a 29% drop in defense-related jobs since 1987.

C. Michael Armstrong of Hughes Aircraft is reported to have warned Defense Secretary William Perry that the specter of "hollow industry" is just as real as the danger of a hollow military. Many analysts are beginning to fear that the precipitous rate of cuts is destroying the design and engineering capabilities of the industry.

Italy

Bailout planned for the Bank of Naples

The Bank of Naples, Italy's sixth largest, announced losses of $589 million, 30% of which are due to losses in financial transactions and 70% to bad loans, reflecting the collapse of the economy of the Mezzogiorno region in southern Italy. The government, which, through the treasury, owns 13% of the bank, intervened by transferring several properties to the bank in order to increase its assets. The overwhelming majority of the bank's bad loans are small loans, which means that the bank is suffering from the collapse of a large number of small companies.

Meanwhile, the financial meltdown is hitting the core of the Italian financial oligarchy.

Stocks of the corporate holding Gemina, owned by the heart of Italy's financial elite (Agnelli, Pirelli, Mediobanca, Generali) collapsed 14% on March 13 after it was announced that Mediobanca was organizing a capital increase. Another blue-chip insurance company, Fondiaria, collapsed 7% on March 14. Ferfin, the financial holding previously belonging to the Ferruzzi family which was "rescued" by Mediobanca, also dropped 5%.

Russia

Hedge funds waiting for Moscow's green light

In the wake of the collapse of Barings Bank, derivatives-based financial speculators, who hoped to loot the so-called emerging markets, are increasingly worried that the Russian government may exercise its power to stop such speculative transactions. Over the last six months, western financial journals have been salivating over the cheap price of stock shares of Russia's semi-privatized large energy and industrial companies. The problem for the pack of George Soros-led hedge funds, is that they can't really get at them. Although Crédit Suisse-First Boston is positioned as the largest brokerage in Moscow, most shares are not traded on the Moscow exchange, but in back rooms and the hinterlands.

Before the ruble collapsed last fall, funds had put $2.2 billion into Russian shares: George Rohr's Bermuda-based New Century Holdings, $200 million; George Soros, just under $200 million; Michael Steinhardt, $100 million; San Antonio Capital, $50 million. Purchase-sale contracts on stocks, denominated or indexed in dollars, are signed in New York, the money wired to the Cayman Islands branch of a Russian bank, after which a broker makes the buy and tries to register the ownership with the registry, usually based in the city where the company is based.

In 1994, the Krasnoyarsk Aluminum smelting giant sent a representative to the local registry and erased the name of David Ruben, head of London metal trader Transworld, from the listing of shareholders. Ruben, probably acting on behalf of Marc Rich, almost became majority shareholder in the biggest aluminum smelters in the world. He bribed management, financed raw materials for processing, and rented the factory. He then took "his" aluminum onto the world market with a hefty markup over the $500 per ton (a price below the cost of production) that he paid the Krasnoyarsk and Bratsk smelters. After a couple of murders and such things, the management changed—along with Ruben's name at the register, the only legal record of his ownership. This issue is now in the hands of the Russian government, in particular, former privatization czar, now deputy minister, Anatoly Chubais. London Metals says this is *the* test case for Russia's "emerging market."

Banking

French government bails out Crédit Lyonnais

The French government has undertaken another emergency rescue of Crédit Lyonnais, the bank which suffered losses of 12 billion francs (roughly $2.1 billion) in 1994, against accumulated uncovered liabilities from real estate and corporate takeover deals calculated to be as high as FF 50 billion. The government will sell the bank's assets with a current value of FF 120-135 billion through a special structure called the Consortium of Realization (CDR). It hopes to cover old losses over the next four years and to save the restructured bank.

The management of the bank has committed itself to repaying the debt over the next 20 years—which most experts doubt will be possible. The last-minute effort to prevent an outright collapse of the bank, the biggest state-owned bank in Europe, was designed to prevent a chain reaction that could have shaken all Europe.

Alain Madelin, adviser to French Prime Minister Edouard Balladur and a monetarist, told the press that, compared to the threatened collapse of Crédit Lyonnais, the crisis that Barings Bank went through was "mere child's play."

In an attempt to deflect protests against the bailout, Balladur on March 13 asked Economics and Finance Minister Edmond Alphandery to open an official inquiry "to locate those responsible for causing the degradation" of the bank.

Briefly

● **PAKISTAN** hosted the 10-nation Economic Cooperation Organization on March 14-15; the meeting focused on building infrastructure for economic cooperation. "Markets have replaced missiles as the measure of might," Prime Minister Benazir Bhutto said. "Our natural resources potential can only be realized when we work together to develop economic competitiveness."

● **THE CROATIAN** national oil company, INA, and its Indonesian counterpart, Pertamina, on March 12 signed a memo on the possible export of Indonesian liquefied gas to Croatia for domestic use or re-distribution to Europe.

● **ISRAELI** Foreign Minister Shimon Peres and Jordan's Crown Prince Hassan met in Amman on March 12 to finalize plans for water projects for which they are seeking $400 million in aid from Germany. They presented the package, which involves storage, desalination, and water conveyance systems, to Chancellor Helmut Kohl in Bonn on March 15.

● **TURKEY** will increase its share in a $7.4 billion Azeri project to develop three Caspian Sea oil fields to 6.75%, up from 1.75%, Azerbaijan President Haidar Aliyev said after meeting Turkish President Suleyman Demirel in Copenhagen on March 12. He added that a planned oil pipeline will go through Turkey.

● **CALIFORNIA** has suffered over $2 billion in damage from flooding, according to preliminary estimates. The floods are now the costliest winter storms in the state's history, and are expected to cause significant rises in vegetable prices in the United States.

● **JAPAN'S** H2 rocket launched two satellites, Reuters reported on March 18. The payload, which included the four-ton scientific satellite known as the Space Flyer Unit, is the largest ever launched and is a milestone in its space program.