

# Business Briefs

## Telecommunications

### Don't rely on 'market forces,' says Mandela

South African President Nelson Mandela urged industry leaders to accept the fact that the development of telecommunications could not be left to purely market forces. He made the appeal at the opening of the seventh World Telecom Exhibition "Telecom 95" in Geneva on Oct. 3, Reuters reported.

"Given the fundamental impact of telecommunications on society and the immense historical imbalances, telecommunications must become part of the general public debate on development policies," Mandela declared. "Many developing countries face difficulties in raising capital for their existing operators. There is consequently pressure on governments to throw open their doors to international competition. This calls for great care, to avoid jeopardizing local services unable to compete with powerful international operators."

Mandela said eliminating the gulf between the "information-rich and the information-poor countries . . . is also critical to eliminating economic and other inequalities between North and South, and to improving the life of all humanity."

## Petroleum

### Kazakhstan looks toward Mediterranean outlet

Kazakhstan needs an oil pipeline to the Mediterranean, Foreign Minister Kassymjomart Tokayev told a press conference on Oct. 4. "For Kazakhstan, it makes no difference where the pipeline will go to the Mediterranean Sea. . . . The most important thing is to build the pipeline," he said.

However, several of the possible routes for the pipeline are considered unfeasible because of political instabilities. The most feasible route, he said, is Kazakhstan, Azerbaijan, Georgia, and Turkey, which would also include access to the seaports of Georgia. The

other factors affecting the decision, he said, are the settlement of political issues (because of the involvement of other countries) and "attracting potential investors."

Tokayev, who visited Washington in early October for a meeting of the U.S.-Kazakhstan Council, expressed optimism over U.S.-Kazakhstan relations. He said that Vice President Al Gore told him on Oct. 3, "The United States considers Kazakhstan to be a valuable partner in Central Asia, and the United States would like to see Kazakhstan as a developed, prosperous democratic country, as a cornerstone of stability in Central Asia." With respect to the pipeline projects, Tokayev said, "I believe that the point of view of the American side, of the American administration, will be very helpful for us when taking the final decision about the feasibility of the . . . pipeline, which will go to the Mediterranean Sea."

## China

### Plan to narrow inland, coastal development gap

China's Ninth Five Year Plan (1996-2000) is intended to narrow the gap in economic development between coastal and inland areas, *China Daily* reported on Sept. 22. Combined with the Social and Economic Development Program to 2010, China will "try to shift the focus of capital investment, distribution of key construction projects, and policy preferences to the central and western areas," the daily said. Policy-oriented banks will gradually increase the amount of preferential loans to these regions.

"To bridge the gap is one of the toughest challenges for China in its drive to realize modernization and the common prosperity of all people. It is also one of the harshest tasks the Chinese government faces," Chinese Academy of Science member Hu Angang was quoted saying.

The article quoted Deng Xiaoping on his policy of allowing some regions to get rich first, but added that Deng had stressed that the goal is to gradually realize common prosperity for the entire nation.

The government has allocated \$3.6 billion

over recent years to upgrade infrastructure in the north and northwest, including for railways and energy, and has shifted the focus of World Bank- and Asian Development Bank-funded projects to these regions.

However, due to the great gap between coast and interior, changing the situation is a long-term problem, several economists said. The income gap will continue to grow for the coming years, although at a slower pace, and will only begin to close after 2000. The interior provinces will only begin to catch up after 2010, they predicted.

## Russia

### Union magazine covers EIR, attacks Sachs, IMF

*Profsoyuzy i Ekonomika*, a magazine published by the largest trade union federation in Russia, carried in its October-November issue an article by Prof. Taras Muranivsky which attacks the International Monetary Fund (IMF) and Harvard Prof. Jeffrey Sachs, and advises Russian leaders to study the results of Sachs's reforms in Latin America before they decide to implement them in Russia. Entitled "Latino-Americanization of Russia: Sachs's Lesson," the article is based heavily on the work of *EIR*'s Dennis Small, who is cited as a Schiller Institute researcher, who has documented the destruction brought by Sachs's program to that continent.

Muranivsky mentions how investments into goods production, which was growing until 1985, by 1990 constituted only 50% of what it was five years before. What has grown instead, is the narco-business. Thanks to Sachs's therapy, production of coca increased during 1985-90 by 125%.

Sachs curbed inflation by demanding layoffs of 77% of employees in a Bolivian State-owned company, and 45% in a big oil company, while private mining companies lost 20,000 workers. Many of those who lost their jobs were forced to resort to drug production, Muranivsky says.

In Mexico, according to Small's analysis, the growth of production was visible in the 1970s, during the Presidency of José López

Portillo; but after 1981, when Mexico started to collaborate with the IMF, one can see a constant decline, Muranivsky says. Every year, he writes, the Latin American nations pay more for their imports and get less for exports, which are constantly growing, but most income is then used for debt service.

On Chile, Muranivsky contrasts Small's view with that of H. Valensuela of Notre Dame University. Small stresses that the 1982-83 crisis in Chile was a result of free trade, and a recovery started when that policy was rejected. However, one should not overestimate this recovery, Muranivsky says, because a high level of savings is a result of speculation with social security funds on international markets, which may blow out any day.

Muranivsky also presents "bankers' arithmetic," i.e., where a State will repay an amount equal to the principal due but, because of usurious interest rates, its debt will continue to grow. In the case of the Latin American foreign debt, he warns, with such methods, the IMF will soon manage to turn the continent into Third World countries.

Russia is on its way to falling into the same trap as Latin American nations; it plans to use the first installment of its IMF loan to service foreign debt, which is now 120 billion rubles.

## Banking

### Last Australian state bank sold to Brits

The state bank of Western Australia, known as BankWest, has been sold to the Bank of Scotland, the Australian *Herald-Sun* reported on Sept. 21. It was the last wholly government-owned bank in Australia.

Under the deal, the 300-year-old Bank of Scotland will pay \$675 million to the Western Australian state government to own the bank outright, but will then reduce its share to 51% through a public float in February. Part of the deal is that western Australians must be given the option to invest.

The Bank of Scotland already has substantial holdings in the South Pacific with its ownership of the Countrywide Banking Corp. in New Zealand; acquiring BankWest will help

it situate itself for even more inroads into the area's economy. Sir Bruce Patullo, governor of the Bank of Scotland, said, "We want to be able to play some tunes together which neither of us can play alone." One of the "tunes," he said, was in management buy-outs; he hopes his bank's expertise in this area could be used in Australia.

This deal has been in the cards for some time, with the Bank of Scotland holding preliminary discussions with BankWest, or the Rural and Industries Bank, as it was then known, back in 1989. BankWest is the last casualty in a process in which, throughout the 1980s, all the state banks in Australia, one by one, fell victim to privatization and deregulation policies which saw them taken over and destroyed.

## Economic Policy

### Japan industrialist hits high-yen policy

Hiroshi Okuda, president of Toyota, Japan's largest carmaker, sharply attacked the Japanese government for a "deliberate high-yen policy," in an interview with the London *Financial Times* on Oct. 4. He accused the Japanese government "from the outset of the economic downturn four years ago, until this August, of deliberately allowing the yen to rise."

Okuda insisted, "The government felt that if you drove up the yen high enough to destroy the car and electronics industries, it would be better for the economy, because it would encourage the growth of new industries." But the rise of official unemployment to 3.2% and three bank failures alarmed the government into abandoning austerity. Now that the government has shifted to reflation, Okuda said that he expects some economic improvement, but the damage has already been done. He projects that, as a result, unemployment will rise in the near future to 8%, a level unheard of in Japan.

The *Financial Times* pointed out that Okuda's view that government policy is responsible for the high yen is widely held in Japan, but "until yesterday few senior businessmen dared to express it openly."

● **MOZAMBIQUE** Trade Union Federation General Secretary Soares Nhaca blamed his nation's poverty on the reforms overseen by the International Monetary Fund, at a seminar at Mondlane University on Oct. 1. "The fact that two-thirds of the population is living in absolute poverty gives one a clear idea of the impact of the structural adjustment," which has cost more than 35,000 jobs in two years, he said.

● **AEROSPACE** experts expect that China will put a man into orbit by the year 2000, in a spacecraft possibly made by Chinese, according to China News Service on Oct. 3. In Beijing, 20 young men are reportedly in training for future missions.

● **THE DUTCH** banking group ING is strengthening the Anglo-Dutch oligarchy's stranglehold over Australia's financial system. It plans to retain Barings Bank's former holdings in Australia: 20% of McIntosh Securities, the only publicly listed stockbroker in Australia, the Oct. 3 *Australian Financial Review* reported.

● **CHINA** is prepared to cooperate with Morocco in the field of nuclear power for peaceful purposes, Foreign Ministry spokesman Shen Guofang said on Oct. 4.

● **'SOMETIME** over the next month and a half, we will witness a stock market crash comparable to the legendary disaster that shattered Wall Street 66 Octobers ago," Joseph Granville warned in *Barron's* magazine in early October.

● **THE ARIZONA** Corporate Commission made public on Oct. 1, an administrative complaint charging that Lloyd's of London defrauded Arizona investors by failing to disclose the risk involved in joining its underwriting syndicates, the Oct. 2 *Republic and Gazette* reported. It seeks to halt solicitations by Lloyd's agents, stop Lloyd's efforts to collect from investors, and impose fines and restitution for violation of state securities laws.