

# Business Briefs

## Poland

### Indictment focusses election on economy

Janusz Lewandowski, Poland's privatization minister during 1991-93, was indicted on Oct. 1 by the Krakow prosecutor, *Omri* reported. Lewandowski was charged with failing to sell the Krakchemia and Techma firms to the highest bidders, which cost the Polish government 2.4 million zloty (\$1 million). Lewandowski, now a deputy for the opposition Freedom Union, called the charges "untrue and absurd."

Various opposition parties, which oppose the present privatization process, have been trying to impeach former privatization ministers as well as the present one, Wladyslaw Kaczmarek, for selling off Polish industries and banks. The suit against Lewandowski was filed in 1992, but, till now, the political apparatus stalled the procedures.

One Sejm (parliament) deputy commented that the SLD (post-communist party), which is now in power, decided to allow Lewandowski's prosecution in order to divert attention from its own privatization policies, which are as damaging as those of 1991. Nevertheless, the indictment is good news, because it focusses the election campaign (which has already started, effectively) on the economy, not on side issues.

## Infrastructure

### Turin-Lyons TGV pushed by Italians, not Chirac

A Naples-Turin-Lyons high-speed TGV rail line would create 250,000 jobs on the Italian side alone, according to Italy's High-Speed Committee, the Paris daily *Figaro Economie* reported on Oct. 2. However, the policies of French President Jacques Chirac are stopping investment. Bruno Bottiglieri, secretary general of the committee, said, "In 1990, it was the [French national railway] SNCF which was pushing us to build the Turin-Lyons link . . . but, over the last 18 months, the French railroads have given us the impression that they are no longer committed"

to the project. Chirac has been in power for 18 months.

The engineering involves a 54-kilometer tunnel under the Maurienne, a region in the Alps. The present tunnels will be at capacity by the year 2000. Committee president Sergio Pininfarina commented: "Were the Turin-Lyons line not to be built now . . . France itself would become less important within the European high-speed network, by cutting itself off from a region as productive and technologically advanced as northern Italy." Some 25% of all Italian exports go to France, and 17% of French exports go to Italy, a volume rising by 4% a year.

On Oct. 2, the Paris tabloid *Le Parisien Libéré* was critical of the government's announcement the day before, that 2,300 km of new TGV lines which were to be built under the 1992 directives, will be scrapped, because, in the transport minister's words, "new estimates show that profitability will be significantly lower." Only the Mediterranean TGV is now in the cards. The paper concludes: "The Germans have just thrown 240 million francs into their rail program . . . because the Germans work for the long term, fearing a breakdown of the road system by 2020. That thoroughgoing vision, unfortunately, is not the kind of thing that France has on its mind at present."

## South Asia

### Nepal-India treaty paves way for hydropower plan

On Sept. 20, Nepal's Parliament approved a treaty with India signed last February, which involves cooperation in water resources, including construction of a 6,480-megawatt Pancheshwar project, Xinhua news agency reported. Nepali Water Resources Minister Pashupati, in a Sept. 30 press conference, said that the integrated development of the Mahakali River opens a new dimension for the economic development of Nepal through harnessing its vast water resources.

The project on the Mahakali River along Nepal's western border with India will be constructed on an equitable cost- and benefit-sharing basis. Construction of the project, including a 315-meter-high dam, is expected

to start by 2000, at an estimated cost of about \$10 billion.

According to a spokesman, Nepal and India will soon begin to prepare a detailed report on the Pancheshwar project, and will jointly raise the funds for the project. He said that the Nepali government has plans to attract foreign private investment for the project, which will help upgrade the country's economic growth significantly.

Power demand in Nepal, which is around 300 MW at present, is expected to double within 10 years, according to Water Resources Ministry estimates. Nepal intends to export its power-share from the project to India, which faces an acute power-supply deficit in the future, and sees the border river project as a high priority of its power development.

## Banking

### German S&L head attacks 'Anglo-Saxon' approach

Horst Koehler, president of the German savings and loan banks, called upon the government, banks, and industry "to search for a German way in solving the problems" of globalization, in a press conference during the International Monetary Fund gathering in Washington in September. Some big banks and industry are simply taking over "Anglo-Saxon standards," in particular the orientation toward "short-term profits," and such practices will have "devastating consequences for the crucial part of Germany's medium-sized business," which is tied to the S&L sector, he warned.

Koehler emphasized that, in today's clashes over labor costs and public expenditures, Germany "will only be able to manage the task of globalization as a social state." He pointed to the fact that, because of globalization, big banks and industry are essentially no longer paying taxes to the German state. Over 1992-95, the tax payments of big banks collapsed from DM 2 billion (\$1.25 billion) to DM 0.8 billion, while the tax payments of smaller banks and S&Ls sharply increased. In 1995, the total balance sheet volume of the big banks was more or less equivalent to that of all S&Ls. However, the

S&Ls paid ten times more taxes than the big banks.

In respect to financial markets, Koehler stated that the "aggressive hunt for high yields" has increased risk, and has driven the financial sector "into speculative waters." According to estimates, he said, the global derivatives markets are expanding 40% each year. This increases the decoupling of financial markets from the real economy. As a result, some of the recent disasters, for example, the Barings collapse, "in effect had the potential of initiating a systemic crisis."

## Agriculture

### Chinese scientists urged to promote research

Wen Jiabao, an alternate member of the Political Bureau and a member of the Secretariat of the Chinese Communist Party Central Committee, called on Chinese scientists to strengthen agricultural-science research in order to speed up development, at a conference marking the 10th anniversary of the Spark Program, Xinhua news agency reported in September. The Spark Program was launched in 1986 to popularize agricultural technology in the countryside—China's first plan to encourage economic development in rural areas with the help of science and technology.

Wen said that agro-science research is the basis for agricultural development, and the key to success in agricultural modernization is to promote technology in rural areas. He said that rapid development could not be achieved without major research breakthroughs and development of new and advanced technologies. He urged scientists to solve major problems in agricultural production, such as development of quality seeds and prevention of plant diseases.

Song Jian, minister of the State Science and Technology Commission, said that changing the agricultural and rural economic development mode, promoting the rural economy with the help of science and technology, and improving the skills of farmers are very difficult tasks. He called for industrialization of agricultural development, and

promoting a moderately scaled rural economy.

President Jiang Zemin described the Spark Program as a great invention by the country's science and technology circle, and a great tool to help farmers overcome superstition and poverty, in a meeting with conference delegates.

## Finance

### China, Japan 'reduce exposure' to dollar

Rather than open further to London-International Monetary Fund "globalization," China and Japan are now quietly "reducing the exposure" of their banks to the dollar world financial system, an Asian banker, in Washington for the IMF meeting, told *EIR* on Sept. 30. "We can't rule out another Barings or Mexico-type crisis of the whole system, and we don't want our banks at risk," he said.

"For example, China's domestic banking system has grown enormously in the last years," he said, "and the Chinese central bank is very concerned to protect it from shocks in the foreign dollar sector. Domestic deposits by private individuals in Chinese banks, which used to be tiny, have grown from \$100 billion in 1993, to over \$420 billion this June. Also, as in Japan, a lot of that money was loaned to China's real estate boom, and now about \$80 billion of it is bad loans, so the authorities must take care. . . .

"Thus, when the U.S. and British banks demand to be allowed in, to take some of those huge deposits in Chinese money, the central bank will never agree. That's why Chinese Trade Minister Wu Yi told [U.S. Commerce Secretary] Mickey Kantor Sept. 28 that China won't give in to the conditionalities demanded by the World Trade Organization."

"Japan is doing the same thing," he went on. "The Ministry of Finance decided after the Barings and Mexico crises, to pull Japanese banks, especially weaker ones, out of the Eurodollar markets. And quite frankly, the Japanese banks . . . took fine advantage of the Daiwa, Sumitomo, and other scandals to do so."

**JAPANESE** banks, including Sakura Bank, Daiwa Bank, Sanwa Bank, Asahi Bank, and eight others, said Oct. 1 that they will forgive \$15.3 billion worth of loans they had extended to Japan's failed *jusen* mortgage firms. The banks claimed that they will have enough profits overall to avoid large net losses on earnings.

**THAILAND** will get a \$1 billion loan from Japan to help relieve traffic congestion in Bangkok, Kyodo news service reported Sept. 27. The 25-year, 2.7% loan will fund 244 kilometers of railway track renewal, construction of an expressway, and a second international airport. Thai officials estimate that rush-hour traffic moves at eight kilometers per hour, causing losses equal to 2.5% of GDP.

**NIGERIA** and Turkey are strengthening commercial ties, including in rail, energy, telecommunications, and tourism. Turkey's Prime Minister Necmettin Erbakan's arrived in Lagos, Nigeria, on Oct. 6, with a 250-man team including executives of several Turkish firms, wires reported.

**FRANCE AND IRAN** have agreed to expand relations, including in trade, Iranian Foreign Minister Ali Akbar Velayati told the Swiss daily *Neue Zürcher Zeitung* Oct. 5. Velayati mentioned "promising talks" with French oil firms, and said that contracts with Peugeot and some electronics firms have been signed.

**CHINA** will host a one-day conference in Hongkong in November, entitled "Realizing China's Potential: World-Class Models for Infrastructure Development," Xinhua reported Sept. 26. It is being jointly organized by the Hongkong Trade Development Council and the Massachusetts Institute of Technology.

**UGANDA** has been hit with strikes since President Yoweri Museveni imposed a new 17% value added tax on Sept. 30. Consumer prices have skyrocketed, and traders say that the information provided by Museveni about the tax was all lies.