

# Business Briefs

## China

### Rural development gets high priority

The Chinese Communist Party (CCP) Central Committee held a national conference on rural development in October, to ensure the development of agriculture and the welfare of farmers into the next century, *China Daily* reported. This was the first such special meeting in the history of the CCP. It was addressed by party head Jiang Zemin, among others.

The "household contract responsibility system," under which farmers determine production on their land, still technically owned by the state, was extended for another 30 years. This was one of the key reforms initiated by Deng Xiaoping 15 years ago. "The extension will ensure [that] farmers reinforce their investment in farm land and related industries," said Liu Zhicheng, former vice-president of the Chinese Academy of Agricultural Sciences. Liu said that 20 years of growth had increased annual grain output to 500 million tons by last year, basically meeting the demand of the country's population of nearly 1.3 billion people.

Liu warned that the food supply available on the international market will, at most, only be able to meet half of China's demand by 2010.

## Mining

### Rio Tinto set to grab up assets on the cheap

Rio Tinto, the Queen's mining company, is preparing to seize upon growth opportunities created by what it publicly expects to be a "profound and prolonged" global economic recession in 1999, according to the Dec. 7 *Australian*.

Robert Wilson, Rio Tinto's London-based chairman, said that if the U.S. economy contracted suddenly in 1999, "we are facing a very gloomy future. . . . The downside risk is very serious." But, Wilson stated that "the prospect of a global crunch had prompted the world's biggest miner to keep

its takeover tinder dry in expectation a global downturn would throw up growth opportunities."

Wilson stated that there are "three easily identifiable trigger-points which could lead the global economy into a very profound recession, profound and prolonged," which he identified as a collapse of the U.S. stock market, a slide of the Japanese economy from recession into depression, and a disintegration of the Brazilian economy, which could trigger a U.S. stock market crash.

Referring to the collapse of the global steel market, Wilson attacked some countries' anti-dumping rules, which he described as "protectionism by another means," and said that they concentrated the burden of recession. He admitted that the steel collapse had affected the production of its Hamersley Iron Ore mine in Western Australia.

## Petroleum

### Kazakstan agrees to pipeline study

On Dec. 9, under the auspices of U.S. Energy Secretary Bill Richardson, Kazakstan signed an agreement with Chevron, Mobil, and Shell oil companies to undertake a feasibility study for creating a unified system of oil and gas pipelines from western Kazakstan to Turkey.

There has been intense lobbying by the U.S. government for such an agreement, in order to bring Kazakstan into the development of a trans-Caspian route from Baku to Ceyhan, a Turkish port on the Mediterranean. The Baku-Ceyhan line has become a high priority for the Clinton administration, because it would be an alternative to the Russian and Iranian routes. This is in addition to an improved route through Russia, which is also supported by the United States.

The construction of a new pipeline through the difficult terrain of eastern Turkey has been met with a great deal of skepticism by the oil companies, which will be asked to foot the major share of the bill for its construction. The U.S. government and many of the governments in the region have been strongly pushing this alternative, under

the guise of "multiple routes," largely for reasons of British manipulated geopolitics.

Although numerous feasibility studies have been done, very little construction has taken place, and with the price of oil at \$10 a barrel, the oil companies would prefer to use present pipelines to accommodate possible increases in the flow of oil. The Baku-Ceyhan line was the topic of heated debate during two days of a Caspian Development Conference in Washington, where a number of U.S. officials lobbied strongly for the Baku-Ceyhan line.

Azerbaijan's Ambassador to the United States, Hadar Pashaev, said that "pipelines are not only a means of transportation, but an important link in the emerging Silk Road, which will include not only pipelines, but infrastructure and development, placing the region in the center of international trade and commerce."

## Infrastructure

### India's expressway may be scaled down

Indian Prime Minister's Atal Behari Vajpayee's plan for a 13,500 kilometer north-south, east-west road corridor is being drastically reduced to one-third its original length, an Indian journal, the *Business Standard*, reported on Dec. 10. The taskforce on infrastructure is expected to take a decision on the revised plan in December. The revision is being made on the basis of a recommendation by Planning Commission member Montek Singh Ahluwalia, and one of the taskforce members.

"We are not discarding the original plan. Our suggestion is on prioritization. As of now, we can think of laying roads from the extreme ends in the north, south, east, and west linking the golden quadrangle," Ahluwalia said. "There are already some roads starting from the four corners of the country. Some projects are being implemented. The effort should be to fill the gaps."

In its last meeting, Ahluwalia told the taskforce that the bulk of road traffic in the country is concentrated on the golden quadrangle, and that the priority should be to strengthen this quadrangle and link it to the

four corners of the country with highways. Taskforce chairman Jaswant Singh has asked the Transport Ministry to give its opinion, and it is expected that the ministry will accept the recommendation.

## **Nuclear Energy**

### **Russia outlines export program to Iran, China**

Russian Minister for Atomic Energy Yevgeni Adamov reported on his recent trips abroad to firm up export business for the nation's nuclear energy industry, in a press conference in Moscow on Dec. 8. He said that Russia has received an offer to build three new nuclear units in Iran, and will take responsibility for training the workers who will be needed to run them.

Adamov reported that although Iran is an oil-rich country, "the strategically minded leadership of that country is looking 30 years ahead and more." Asked about the reaction of the United States to its cooperation on nuclear energy with Iran, Adamov said that Russia is more concerned about weapons proliferation in Iran than is the United States, because America is an ocean away but Russia is right next door. He said that all proliferation concerns are being taken care of.

Adamov reported that his ministry is working on the contract for a new power plant in China, and that "there are several dozen Chinese specialists in Moscow and Leningrad at present." Most recently, the Russians signed a contract with India for a nuclear plant design, which will be completed in the first half of 1999. The documents will be handed over to the Indian regulatory bodies, he said, and then they will make a decision on building the plant.

Meanwhile, because of the state of its economy, Russia plans to cut the number of its own new nuclear plants, Adamov reported. "We intend to dramatically cut the number of facilities in which we invest, in order to concentrate investments in facilities which are nearing completion and can be quickly put into operation and bring returns." Itar-Tass reported on Dec. 8 that the Kursk nuclear power plant has suspended construction of the fifth unit in that complex

for lack of funds, and that the ministry is "looking for investors" to complete the plant.

## **Economic Policy**

### **Reich calls for 'New Bretton Woods' system**

In his regular commentary on National Public Radio's "Marketplace" daily business news show on Dec. 10, former Labor Secretary Robert Reich defended the importance of the physical economy against the speculative financial system, and called for a New Bretton Woods system, using phrases associated with Lyndon LaRouche.

"The late 1990s will be remembered for a new kind of financial gamesmanship, now on a global scale: international flows of money, larger than anyone has ever seen or contemplated, moving at the speed of electronic blips on computer screens. It's the story of giant flows of hot money, speculative plays on a grand scale, hedge funds leveraged so high they reach the sky. The real economy of goods and services, of plants and machines, is once again at the mercy of the casino economy. But the stakes this time are much higher, the playing field is the entire world," Reich said.

"The International Monetary Fund . . . medicine has had awful side-effects on these nations: recession, deflation, depression. Once again, business has been sacrificed to finance," he said.

"The IMF and the Treasury have got it precisely backwards. . . . Countries and businesses don't need to be tamed, it's global finance that needs the taming. Hot money has to be slowed. . . . The fact is, the real international economy of goods and services traded across borders, cannot thrive in an environment of high-speed speculative finance.

"More than a half-century ago, the world leaders who gathered in Bretton Woods, New Hampshire to craft the postwar system of trade and development, understood this point. But now we need a new Bretton Woods, and its goal must be to design new rules to curb a new and more virulent form of global speculation in this age of electronic capitalism."

**THE NIPPON** Credit Bank, despite a \$500 million injection of public funds last March, was unable to come up with a "satisfactory recovery plan," according to Japanese officials, and was formally declared insolvent by the government on Dec. 13 and put under state control. In 1997, *Fortune* magazine rated it among the top 50 banks in the world.

**INDIA** agreed on Dec. 9 to withdraw all non-tariff barriers on Bangladesh's exports, but temporarily put aside a request for a zero-tariff structure, the *Asian Age* reported. Bangladesh Commerce Secretary Syed Alamgir Farooq Chowdhury said, "We have proposed the zero tariff facility to reduce the huge imbalance in trade with India."

**UKRAINE** will sell generators to China for the Three Gorges Dam, Foreign Minister Borys Tarasyuk said during a visit to China in December. Other discussions touched on cooperation in agriculture, and conclusion of a contract for Ukraine to help upgrade Chinese commercial airplanes.

**THE SWEDISH** telecommunications group Ericsson, the third-largest producer of cell phones in the world, is expected to announce plans to lay off 10,000 workers, about 10% of its global workforce, in a cost-cutting program to be presented on Jan. 28, 1999.

**MONGOLIA** signed a deal with China on Dec. 11, in which China will help build a \$39.7 million oil refinery, Mongolia's first. The facility, to be built near Dzuunbayan, will process 500,000 tons of oil annually, while another 500,000 tons is to be exported to China beginning next October.

**A THAI-CHINESE** project to build a \$2 billion dam on the Mekong River in Sibsongpanna, an ethnic Thai region in Yunnan province, China, has been approved. It will generate 1,500 megawatts, with 20% used locally and the rest sold to Thailand through Laos.