

Business Briefs

Ibero-America

British firms target Peruvian infrastructure

British companies are chomping at the bit to buy up Peru's strategic port of Callao, along with the national highway network and airports which the government wants to privatize. The situation is reminiscent of the 1879-81 War of the Pacific, when British-backed Chilean forces occupied the country, including Lima, the capital, and Callao.

Currently, as announced by Frank Wheeler of the British-Chilean Chamber of Commerce, British companies are interested in grabbing the concessions for Callao and for other ports and highways, and would be the main competitor to the Grupo Romero, Peru's commercial and banking conglomerate. The Romero group has traditionally been an ally of British cartels, but now is being shoved aside in favor of British companies, or their Chilean front-men. The Chilean electric company Gener has announced interest in competing for the concessions to the ports of Callao, Ilo, Matarani, and Paita.

Chile is also offering its own ports to foreign privateers, expecting to get a good price because its ports have infrastructure and railroads connecting to both Bolivia and northern Argentina. With this competition, the expectation is that Peruvian ports will most likely be sold off for a pittance.

Ecuador

Currency fall, bank crisis creates panic

Ecuador's currency, the sucre, fell from 10,000 to the dollar, to 18,000, in a matter of hours on March 3, as panic swept the country. Exchange houses were ordered shut at 12:30 p.m., and by the end of the day, the sucre had "risen" back to 13,000. The Army had to be called out in Guayaquil, one of the country's main cities, to stop rioting by people who panicked because shops closed. By March 8 and 9, banks throughout the country were ordered shut, to prevent a run on deposits after the country's second-largest bank, Banco del Progreso, asked for govern-

ment help.

The sucre was around 7,000 to the dollar for most of February. With little in reserves and the price of its main export, oil, falling, the government gave up defending its currency in mid-month, and declared it would let the market set the rate, i.e., the currency would float free. The run on the sucre, called "a speculative wave without precedent" by Central Bank chief Luis Jacome, is being blamed on banks and "investors" who want the Congress to pass higher income taxes.

London's Reuters news agency threatened that such pressure on Ecuador would continue. "Ecuador's ravaged economy may have to deteriorate further before its Congress agrees to swig the bitter fiscal medicine prescribed by the International Monetary Fund, Wall Street analysts and fund managers said," Reuters said on March 4. Central Bank chief Jacome denied rumors that exchange controls would be adopted, saying that to do so would affect the nation's "image."

Infrastructure

Rail line inaugurated in central Iran

Iranian President Seyyed Mohammad Khatami visited Yazd province on March 4 to inaugurate a number of projects, including an alloy steel production plant, a phosphate plant in Chadour Malu, and a rail line from Ardakan to Chadour Malum, IRNA reported.

The 221 kilometer Ardakan-Chadour Malu rail line would connect the central provinces to the Bafq-Mashhad rail line which connects to Turkmenistan and the other Central Asian nations. The new rail line would facilitate transfer of iron ore from Chadour Malu to the country's steel mills. Some 5 million tons of goods and about 300,000 passengers will be transported via the railway annually. Construction on the line started in 1991.

Construction work is continuing on the Bafq-Mashhad rail line to link Central Asia with the Gulf, but no time tables have been given yet for completion of the project.

Space

German government targets space program

The German government, which plans to phase out nuclear energy programs, now wants to phase out space programs as well, Christian Democratic Union/Christian Social Union opposition spokesman for R&D Thomas Rachel warned, in an interview with the German economic daily *Handelsblatt* on March 1.

According to the draft budget presented by the government, Research Minister Edelgard Bulmahn is planning to cut expenditures for international space cooperation by 30 million deutschemarks, to DM 970 million, and expenditures for national space programs by DM 16 million, to DM 310 million. This means that, beyond the existing long-term programs, there is almost no money left for new projects. Germany therefore will probably have to end its participation in further development of the successful Ariane 5 launch vehicle—with the consequence that German industry will not receive any contracts in this project.

Alternatively, Germany would have to drop out of the European space module program, which would be "completely absurd," Rachel said. He described Chancellor Gerhard Schröder's recent meeting with U.S. astronaut John Glenn, while simultaneously cutting the German space budget, as "sick hypocrisy." The European Research Ministers and European Space Agency officials will meet on such issues in Brussels on May 11-12.

Economic Policy

Italian Prime Minister attacks speculators

Italian Prime Minister Massimo D'Alema attacked speculators who profit from globalization, and cited the need to develop "a new financial architecture for the whole world," in his concluding speech at the Congress of the European Socialist Party (PSE) in Milan on March 2. "We have big challenges in front of us: We have to be able to promote devel-

RUSSIAN President Boris Yeltsin on Feb. 26 signed a Customs agreement with the leaders of four former Soviet Republics (Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan), to eliminate customs barriers and encourage trade.

YEMEN, the poorest Arab country which has been subject to constant British destabilizations, plans to establish a governmental authority for nuclear technology for peaceful purposes, including "in the fields of health care, agriculture, water management," the Yemeni news agency SABAA reported on Feb. 26.

SOUTH KOREA'S unemployment rate reached a record high of 8.5%, or 1.76 million in January, the *Chosun Ilbo* newspaper reported on Feb. 26. But Kim Moon-soo, a member of an opposition party, says that the government has not been counting those who are without full-time work. He estimates 3.68 million jobless, or a 17.4% unemployment rate.

AUTOMOBILE production worldwide fell 2.3% in 1998, despite an alleged "boom" during the first six months. The International Association of Automobile Producers in Paris reports that 1998 passenger car production fell 9% in Asia, and 22% in South America. Worldwide production of trucks fell 5.7%, with Asia (-15%) and eastern Europe (-24%) among the hardest hit regions.

JAPAN'S unemployment stood at an all-time high of 4.4% in January, as a record number of people lost jobs due to corporate restructuring and bankruptcies, the government announced on March 2. Joblessness in January was 2.98 million, up 600,000 from a year earlier.

IRIDIUM, the satellite-based portable phone system which started service late last year, said on March 1 it is seeking to modify its \$800 million credit agreement. Its first-quarter target was 27,000 subscribers and \$30 million in revenue; it has 3,000 subscribers and \$186,000 in revenue.

opment and jobs, regulate the globalization of the economy, and favor the flow of benefits to the many and not only to a restricted oligarchy of speculators," he said. In evaluating the work of the Milan Congress, he said, "We have discussed a new financial architecture for the world and worked out common proposals to this effect." Both remarks departed from the prepared text of D'Almeida's speech which had been distributed to the press.

At a press conference which followed D'Almeida's speech, PSE chairman Rudolf Scharping was asked by *EIR* whether such proposals go in the direction of a "New Bretton Woods and currency and capital controls, as adopted by Malaysia." Scharping said, "We want to have a new financial architecture, but not a new Bretton Woods and not exchange controls, because these are old instruments. We rather need a coordination between the G-7, and hopefully the G-8, combining demand side and supply side. We did discuss concrete projects, such as the TEN [Trans-European Nets infrastructure projects] networks." Scharping was rattled when *EIR* pointed out that people in the Russian government of Yevgeni Primakov are talking about a "New Deal" and going against the International Monetary Fund, while Scharping's recipes for Russia (a transparent budget, low inflation) were the same as those suggested by the IMF. At that point he ended the press conference.

A Bulgarian Member of Parliament, who privately expressed full support for Lyndon LaRouche's New Bretton Woods policies, confirmed that Jacques Delors, author of the Delors Plan, had attended the congress, and that a committee had discussed re-initiating his TEN projects.

Finance

George Soros labeled a 'financial sniper'

Chinese President Jiang Zemin called George Soros a "financial sniper," the Hong Kong *Sing Tao Jih Pao* reported on March 5. At a meeting of the Hong Kong and Macao delegates to the Chinese People's Political Consultative Conference in Beijing on March 4, Jiang Zemin added that China will

in no way allow Soros to enter the China market to stir up trouble.

This is the first time a top Chinese leader has criticized Soros, the paper noted. Previously, when Hong Kong was hit by speculators (in October 1997 and in January and August 1998), Chinese officials had refrained from criticizing Soros directly. Jiang Zemin's comment indicates that Beijing wants Hong Kong and Macao to know that China is determined to maintain financial stability, *Sing Tao Jih Pao* wrote. Jiang Zemin also stated that the renminbi will not be devalued, nor changed into a convertible currency any time soon.

However, Soros's investments in China, which are limited, have not been affected, the paper noted. Soros has a 21.2% interest in Hainan Airlines Co., which was bought by a U.S. aviation company under the fund managed by Soros.

Malaysia and Taiwan regard Soros as a "beast of prey," *Sing Tao Jih Pao* wrote. "Malaysian Prime Minister Mahathir gives him tit for tat from time to time, while in August last year, the Taiwan Securities Control Commission banned local securities houses from acting as an agent of the Quantum Fund to ensure financial stability."

Petroleum

Shell to service India's biggest oil refinery

Shell Global Solutions was awarded a long-term contract by Reliance Petroleum Ltd. in early March, to provide technical advice and services for one of the world's newest and largest oil refineries. The plant, with 350,000 barrels per day capacity, at Jamnagar, India, is due for start up in March and will lower the large import needs of the country's fuel market.

Under a Technical Consultancy Services Agreement, Shell Global Solutions will provide Reliance Petroleum with the technical and operational experience to help it maximize the plant's product yield, efficiency and profitability. The contract was signed in Bombay on Jan. 27.

Steve Twilley, Shell Global Solutions Business Development Manager, believes that the multimillion-euro contract is the largest of its kind ever awarded.