

# Business Briefs

## Oil

### Moscow, Beijing Negotiate Siberia-China Pipeline

China sent a top delegation to Moscow, to negotiate a final arrangement on the long-proposed Siberian-China oil pipeline, a project worth, ultimately, \$150 billion in trade. At the U.S.-Russian Energy Summit in St. Petersburg on Sept. 22, Russian Economics Minister German Gref thought it "possible" to build two oil export pipelines connecting Angarsk in Siberia to Daqing, China, and another, from Angarsk to Nakhodka, in the Russian Far East; the second pipeline would supply Japan. Gref claimed that the decision on the long-discussed pipelines would depend upon "how economical" they would be: There are enough resources to accommodate the pipelines, he said, but prospecting and feasibility studies have yet to be done.

Chinese media portrayed the the delegation's visit, beginning Sept. 12, as the "latest effort to rescue the deal." The delegation was led by Ma Kai, director of the National Development and Reform Commission, and Ma Fucai, chairman of PetroChina. The Russian Ministry of Natural Resources has been citing "environmental grounds" as a reason to block the planned route for the Angarsk-Daqing pipeline. There was even discussion of abandoning the project. The project has been controversial, because Japan has been demanding another route, which would avoid China.

In addition, according to *China Daily*, "the issue was complicated further by deep rifts between the Kremlin and private oil companies such as Yukos, the project's Russia oil supplier."

## Iraq

### Bremer Boasts Over New Central Bank

U.S. "proconsul for Iraq" Paul Bremer boasted to a Senate hearing on Sept. 22, that Iraq will soon sport its own independent central bank system—the very guts of any

proper imperial looting operation, or what Lyndon LaRouche has tagged the Anglo-Dutch liberal model of independent central banking systems, including parliamentary "democracy" rather than the U.S.-style republican system. Bremer described to the Senate Appropriations Committee the "financial reforms" announced over Sept. 20-21 at the International Monetary Fund's annual meeting in Dubai. "The Iraqi Minister of Finance yesterday announced a set of market-oriented policies that is among the world's boldest," Bremer blurted, nearly unable to contain himself. "These policies include a new central bank law, which grants the Iraqi Central Bank full legal independence, makes price stability the paramount policy objective, gives the Central Bank full control over monetary and exchange-rate policy, and broad authority to supervise Iraqi banks. This is rare enough anywhere in the world and unique in that region. . . .

"The Iraqi Governing Council proposed, and on Thursday [Sept. 18], Mr. Chairman, I had the great joy to sign into law, a program opening Iraq to foreign investment. Foreign firms may now own wholly-owned companies, or buy 100% of Iraqi business. Under this law, foreign firms receive national treatment and have an unrestricted right to remit profits or capital."

Under "Iraq's new tax system," he said, "the highest marginal tax rate . . . on personal and corporate income tax is—get this—15%, one-five percent. Tariff policy is equally simple. There is a two-year reconstruction tariff of 5% on all but a few imports.

"Foreign banks are free to enter Iraq and will receive equal treatment with Iraqi banks. On Oct. 15, Iraq will get a new dinar, new currency, which will float against the world's currencies."

## Power Generation

### Europe Needs 200 GW In New Capacity

Europe needs 200 gigawatts in new power-generation capacity by the 2020, just to replace over-aged power plants, stated Gerd Jäger, chief executive of the European asso-

ciation of power producers, VGB Power-Tech. In his keynote to the association's "Power Plant 2003" conference in Copenhagen on Sept. 15-17, Jäger noted that this 200 GW does not include new plant construction in the new European Union member-nations. Nonetheless, in Poland, the Czech Republic, and Hungary, over 50% of the coal-fired plants, producing 42 GW, are more than 35 years old, and approaching or past their lifespans. And per-capita power consumption is only half of Germany's.

Jäger said that power producers are ready to meet the huge challenge, but these long-term investments of 30-40 years require a reliable framework, a policy that was undermined by the 1990s shift toward "competition and liberalization." Jäger noted the return to policies in which "supply reliability is again taking the focus" after the black-outs in the U.S. and Great Britain.

Now is the time, he urged, for a "relentless unmasking" of the lies spread for years by "ideologues," such as basing energy supply on "regenerative energy sources"; or that Europe can rein in CO<sub>2</sub> emissions and also abandon nuclear energy. He similarly warned against new ideologies such as Jeremy Rifkin's, who claims that fully decentralized energy systems will prevent major blackouts. These ideologies are "extremely dangerous" and could be devastating to national economies. "Advanced nuclear technologies" must be part of the future "power mix," he stressed, and research is already needed today to develop technologies for the more distant future, including nuclear fusion.

## Nuclear Energy

### India Gives Nod to 500 MW Fast Breeder

The Indian government has approved building a 500 MW fast breeder nuclear reactor at Kalpakkam, in the southern state of Tamil Nadu, according to the Sept. 22 issue of the daily *The Hindu*. The project will take eight years and cost some \$800 million. This is one of the biggest technology development projects India has taken up, comparable to

**IRAQI 'SECURITY'** has become a major "growth industry" with British private companies elbowing in to take over. The *Times* of London of Sept. 20 names three firms, Janusian, Centurian, and Control Risks, reporting that "the muscle of choice is a \$1,000-a-day veteran of the British special forces." Dick Cheney's Halliburton, meanwhile, has hired Nepal's infamous Ghurkas to guard the Rashid Hotel, where most U.S. contractors stay, for \$120,000 a month. Ghurka troops were the British Empire's most trust for decades.

**INTERNATIONAL DEBT** reorganization should take a page from the 1953 London Debt Accord, which gave war-torn Germany the impetus for its economic miracle, wrote the usually staid neo-liberal *Frankfurter Allgemeine Zeitung* on Sept. 20. Germany's major daily positively compared the London Accord to the Versailles reparations, and proffered it as a model for today's huge international debt problem.

**WCI STEEL** filed for Chapter 11 bankruptcy on Sept. 16. The Ohio-based company employs 1,800 workers and produces specialty steel. WCI's announcement included a by-now standard declaration of its intention to become "competitive" through restructuring: that is, laying off workers, eliminating work rules, and reducing wages and benefits, for which WCI is already in negotiations with the United Steel Workers. More than 40 U.S. steel producers have filed for bankruptcy protection since 1998.

**THE UAW** (United Auto Workers) announced tentative contract agreements with all of the "Big Three" automakers, on Sept. 19. Little was made public about the contract, however, despite the fact that the ratification vote were to begin at some auto plants the following week. It is clear that terms include allowing automakers to lift the moratorium on plant closings; the moratorium has been a feature of UAW contacts since 1987, and all three U.S. automakers have announced that plants will close.

its integrated guided-missile development program, the light combat aircraft, and the nuclear submarine project.

Indians also proudly view it as vindicating 25 years of indigenous research and development in fast breeder. Almost 50 years ago, the nation's leading nuclear physicist, Dr. Homi Bhabha, visualized a three-stage program for utilizing the energy potential of fissionable thorium, which India possesses in abundance. The breeder reactor occupies the second stage. The breeder reactor will use plutonium—formed in the uranium fuel elements of the first-stage nuclear power plants—as fuel, and convert thorium placed around the breeder reactor core into uranium-233. U-233, a fissile material, can then be used as fuel with thorium-232, thus deriving energy from thorium. Incidentally, India is the only country committed to using thorium as fuel.

## International Debt

### Creditors Howl Over Argentina Restructuring

Argentina's Finance Minister Roberto Lavagna unveiled the plan to restructure some \$94.3 billion in debt, on which the government defaulted in December 2001, at a press conference on Sept. 22 at the International Monetary Fund annual meeting in Dubai. Although creditors can swap their old debt for different types of new, long-term discounted bonds (one type reduces the amount of principal, while another reduces only the interest rate) the overall plan is effectively a 75% writedown of the entire amount. Representatives of the creditors, which include many small investors in many different countries, were enraged, labeling the plan "scandalous," and "not serious." Many warned they would go to court, rather than accept Argentina's terms. All this occurs amidst Wall Street's complaints that the IMF's recent deal with the government of Néstor Kirchner is "too soft."

The reality is that the IMF is demanding blood from Argentina. U.S. Treasury Secretary John Snow promised creditors, "We're going to be monitoring the situation very

closely, because it is very important that Argentina comply" with the IMF program. Although the Fund agreement is nominally for three years, it only sets a primary budget surplus for the next 12 months, at 3% of GDP, obviously planning to squeeze the government to increase this amount later on. One Buenos Aires economist told the *Financial Times* that Buenos Aires can't offer creditors a better restructuring deal, because the primary budget surplus figure is too low, saying "It's doubtful Argentina can even service its performing debt with that, let alone defaulted loans." Argentina's performing debt is \$75 billion, of which \$25 billion has been issued since the 2001 default. The Kirchner government is reportedly already trying to refinance some of that, uncertain it can pay when the debt comes due in 2005.

## Dirigism

### Russia-Led Economic Union Begins To Take Shape

The Presidents of Russia, Ukraine, Belarus, and Kazakstan signed a treaty in Yalta on Sept. 19, establishing an a sort of Economic Union of the East for those nations: The agreement will abolish customs fees, grant preferential terms in oil and gas trade, and envisage the formation of a monetary union with a single currency, most likely the ruble. The treaty agreement was a major setback to the Anglo-American monetarists, who had especially hoped to keep Ukraine away from such a union.

Note that the union treaty was signed immediately after the collapse of the World Trade Organization annual meeting in Cancún, Mexico. Many in Russia do not regret the unravelling in Cancún, because it buys Russia more time to rethink whether it benefits from WTO membership.

All four of the union's member-nations are engaged in bilateral cooperation agreements with the European Union; and Russia and Ukraine have a trilateral cooperation agreement with the EU for supplying gas.