Business Briefs

Infrastructure

Kinnock 'Green Book' urges policy change

On Dec. 20, European Union Commissioner Neil Kinnock presented his so-called Green Book on transport policy, which calls for "internalizing the external costs" of transportation. According to the Green Book, the "external costs" are the unpaid costs of transport, including the economic damage from traffic jams, traffic accidents, air pollution, and "noise emission."

The report estimates the "external costs" for the EU at about $300 billion a year, about 90% of which is from automobile traffic. The report says that due to traffic jams, travel inside big cities is slower today than it was 100 years ago with horses.

The Green Book offers several proposals to reflect the "external costs" in transport prices; for example, by additional taxes and fees. However, a Green Book, in contrast to a White Book, is only a discussion paper. The Swiss daily *Neue Züricher Zeitung* described it as Kinnock's "vision for a new transport policy," which, for the moment, is far from a consensus among EU governments.

Asia

Philippines to allow speculation a freer hand

The Philippines Central Bank joined the ranks of financial lemmings on Dec. 18, issuing ground rules for a new era of market trading in the full range of derivatives. Wire services report that some foreign bankers are grumbling that the guidelines will stunt the fledgling swap and forward markets, in which time limits will be imposed. But as *EIR*'s Dennis Small told businessmen in Manila at the end of November, legalizing derivatives trading will only move the Philippines closer to the top of the list of countries likely to suffer a Mexico-style blowout in the near term.

The guidelines, modeled on the July 1994 recommendations of the Basel Committee on Banking Supervision, require any institution trading in derivatives to have a minimum net worth of 200 million pesos ($7.63 million), and no derivatives-related losses in the last six months. Traders are required to have a minimum of two years experience. According to a circular issued by Central Bank Gov. Gabriel Singson, the guidelines are aimed at shifting focus from regulating bank exposure to derivatives-related risk, to improving internal risk management "at all times."

Meanwhile, the government announced a new wave of privatizations, the *Manila Standard* reported on Nov. 25. A primary target is the Social Security system, along the lines of the Chile model, which *EIR* has exposed as a vicious looting of pensions to prop up the collapsing securities markets (see p. 9). Also targeted are major utilities, including the Philippine National Railways, Manila Waterworks and Sewerage System, National Power Corp., Local Waterworks Utilization Authority, and the Philippine Ports Authority. Previous privatizations, which began in 1987, were limited to government-owned firms which were failing.

Finance

Malaysia, Indonesia, and Thailand pledge reserves

At a meeting of 10 Asian central bankers in Hongkong on Nov. 20, Malaysia, Indonesia, Thailand, and Hongkong signed a joint repurchase agreement, "to help each other if their currencies come under fire from global speculators," the Dec. 7 *Far Eastern Economic Review* reported. The agreement came in the wake of the ongoing slide in the markets and the currencies of all four countries since the Mexico collapse.

Citibank's Alexander Erskine, from Singapore, praised the deal. "Hongkong is the main beneficiary of the agreements," which give the Hongkong banks a "warm feeling that they will have support if and when they need it," he said.

Meanwhile, Thailand has jumped in to bail out the stock market, the *Nation* reported on Nov. 17. The government is pumping $1.2 billion into a fund for retail investors, and lowering the minimum initial margin for security trading loans from 40% to 30%. The Thai, Philippine, Malaysian, and Taiwan exchanges have been in a sharp fall since August, generally blamed on a steady withdrawal of foreign investments.

Thai Finance Minister Surakiat Sathianthai told the *Nation* that the private sector demanded support from the government because they "do not have money to pay for the margin calls." The Bank of Thailand had announced a few days before that they would resist any government intervention or any call for lowering margin limits.

Nigeria

China rail deal expected to help revive economy

"The underinvestment of our rail sector has been our bane, and by contracting China to turn the sector around, our economy would also be turned around," Gregory Ilukwe, administrator of the Nigeria Railway Corp., said at a news conference on Dec. 14 on the $520 million railway deal signed between Nigeria and China in Beijing the week before. "Railway is the answer to Nigeria's economic problems. Now, we are at the threshold of an economic revolution."

Under the contract, the Chinese State-run firm would overhaul Nigeria's railways, deliver an unspecified number of locomotives, and provide technical expertise. "People should not be scared that the Chinese are coming to take over Nigeria railways. Rather, both countries are going to be involved in a wide scope of cooperation, a new starting point for our rail system," Ilukwe said. He said two new rail tracks for the northern Nigerian axis would be constructed after the rail sector starts to function properly, to terminate at the capital Abuja and at the midwestern Benin City, tied to the southeastern Port-Harcourt axis. "For a start, their survey and design team will come to prepare ground for the 100 Chinese technical men who will do the major job of overhauling the rail sector."

Following the signing of the railway deal, a four-man Chinese delegation visited Nigeria "to explore areas of cooperation with Nigeria in the steel industry," Radio Nigeria reported.

On Dec. 6, Junior Power and Steel Minister Iyorwuese Haghertold the World Bank representative in Nigeria, Trevor Byer, that Nigeria could not meet the bank's demand to raise electricity prices by 400%. "We will be imposing more economic hardship on our people," if we raise prices, he said.

Debt

Tunisian President urges African debt write-off

Tunisian President Zine al-Abidine Ben Ali, on Dec. 18, called on richer nations to write off the debts owed by low-income and emerging countries in Africa. "The situation facing certain regions, particularly in Africa, are quite frankly terrifying. . . . Is it possible to speak of the benefits of scientific progress and good citizenship, when whole populations are threatened with disappearance, in full view of all?" he asked.

Ben Ali was speaking before 500 delegates attending a meeting of the International Economic Association. According to news service reports, he also urged that interest on Third World debt be written off or used in projects to benefit the environment, employment, and basic infrastructure. The IEA congress is chaired by World Bank Vice President Michael Bruno.

Dope, Inc.

British banks expanding money-laundering plans

British banks are developing new high-technology money-laundering schemes, according to the Dec. 24 *New York Times*.

The pressure put on global money-laundering networks by the Clinton administration's war on drugs is forcing even the Cayman Islands to sign on to measures to restrict money laundering. But Ronald K. Noble, U.S. Assistant Secretary of the Treasury for Enforcement, says that "the list of countries where the line between government and organized crime is blurred, is expanding at a disturbing rate." Noble and Treasury Secretary Robert Rubin traveled to Ibero-America in November to rally support for anti-money-laundering efforts, but those efforts may soon be eclipsed by "cyber-cash" systems being pioneered by British banks.

Mondex, an experiment of National Westminster and Midland banks, with British Telecom, is a scheme to market "smart cards," which can be filled with cash from bank machines or over the telephone from a bank account. Money can move from one card to another, in person or by phone, and the holder of the card can make purchases in total anonymity.

Stanley E. Morris, the head of Fincen, said, "The nightmare of it is that there is no registration of every transaction, the way there is if you use a Visa or Mastercard. . . . That's the drug kingpin of the future, the guy walking around with a chip in his pocket worth a few million."

Advanced Technology

16,000 mph maglev train foreseen by MIT

"A recent 15-year series of inquiries, carried out by MIT. . . shows us that electromagnetically levitated and powered trains flying through virtually airless tubes" could easily complete a trip from Liverpool to Boston in less than an hour, according to the latest assessment of the prospects for maglev trains using evacuated tubes, by Frank P. Davidson of the Massachusetts Institute of Technology, in the January issue of *Air & Space* magazine. "What's more, the technology to do so is nearly within our grasp," Davidson wrote.

The article references Robert Goddard's two patents, Robert Salter of the Rand Corp. and his recent studies and designs, plus a 900-foot-long, two-inch-diameter Ping-Pong-ball model, demonstrated at MIT in 1985, by Tom Stockebrand of Digital Equipment Corp.

Transatlantic tube flight would be achieved not by expensive tunneling, but by a "floating tunnel" anchored to the sea floor, floating 112 feet below the surface.

Briefly

- **ALGERIA** signed a $3.5 billion gas deal with British Petroleum in December, the London *Independent* reported. The new field in the Sahara is potentially one of the largest in the world. The deal underscores the British role in underwriting the hard-line policies of the Algerian government.

- **INDIA** is facing an AIDS epidemic that may "consume" as many as 10,000 Indians per day by the year 2000, Dr. I.S. Gilada of the independent Indian Health Organization warned on Dec. 8. Dr. Gilada's figures "fly in the face of reassuring official estimates of the National AIDS Control Organization," the *Hindustan Times* reported.

- **UKRAINE** President Leonid Kuchma told Chinese businessmen on Dec. 5 on a visit to Beijing, that Ukraine is eager to help construct a new Silk Road, Itar-Tass reported on Dec. 5. The reference to the ancient trade route linking Rome and China was part of Kuchma's bid for Chinese investment in Ukraine.

- **CARGILL** official Andreas Rickmers called for "big grain harvests in the coming year," because of the "dramatic supply situation." He told a meeting of the German Corn Committee in Heppenheit in November that in the long term, harvests would have to grow 1.8% a year to keep up with demand. It is necessary to "use technical progress intensively in all fields," he said.

- **AEROSPACE** industry employment has fallen 42% since 1989, the Aerospace Industries Association reported in mid-December. AIA President Don Fuqua reported that one of the most worrisome problems is getting young people to consider aerospace as a career.

- **SPAIN** is facing a wave of bankruptcies of companies highly exposed on short-term loans. On Dec. 15, it was reported that the Huarte group, the fifth-largest in the construction sector, defaulted on roughly $315 million.